
LEADING EDGE MATERIALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Leading Edge Materials Corp.

We have audited the accompanying consolidated financial statements of Leading Edge Materials Corp., which comprise the consolidated statements of financial position as at October 31, 2018 and October 31, 2017, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended October 31, 2018 and October 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Leading Edge Materials Corp. as at October 31, 2018 and October 31, 2017, and its financial performance and its cash flows for the years ended October 31, 2018 and October 31, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Leading Edge Materials Corp.'s ability to continue as a going concern.

"D&H Group LLP"

Vancouver, B.C.
January 23, 2019

Chartered Professional Accountants

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

	Note	October 31, 2018 \$	October 31, 2017 \$
ASSETS			
Current assets			
Cash		1,184,420	3,979,914
GST/VAT receivables		56,448	111,785
Amounts receivable		658	24,704
Prepaid expenses and other		150,812	183,833
Inventory		90,307	96,175
Plant stores and supplies		<u>93,818</u>	<u>95,928</u>
Total current assets		<u>1,576,463</u>	<u>4,492,339</u>
Non-current assets			
Exploration and evaluation assets	4	16,162,239	16,004,906
Property, plant and equipment	5	17,226,407	17,305,961
Reclamation deposit	6	105,540	112,522
Deferred costs	13(i)	<u>4,797</u>	<u>-</u>
Total non-current assets		<u>33,498,983</u>	<u>33,423,389</u>
TOTAL ASSETS		<u>35,075,446</u>	<u>37,915,728</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>615,756</u>	<u>1,001,579</u>
Non-current liabilities			
Provision for site restoration	6	7,728,200	7,711,413
Property acquisition obligation	5	<u>578,012</u>	<u>618,908</u>
Total non-current liabilities		<u>8,306,212</u>	<u>8,330,321</u>
TOTAL LIABILITIES		<u>8,921,968</u>	<u>9,331,900</u>
SHAREHOLDERS' EQUITY			
Share capital	7	47,186,389	46,748,979
Share subscriptions received	13(i)	410,000	-
Share-based payments reserve		5,611,413	4,502,888
Deficit		<u>(27,054,324)</u>	<u>(22,668,039)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>26,153,478</u>	<u>28,583,828</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>35,075,446</u>	<u>37,915,728</u>

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 13

These consolidated financial statements were approved for issue by the Board of Directors on January 23, 2019 and are signed on its behalf by:

/s/ Blair Way
Blair Way
Director

/s/ Michael Hudson
Michael Hudson
Director

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

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

		Year Ended October 31,	
		2018	2017
		\$	\$
	Note		
Expenses			
Accounting and administration	8(b)	102,764	96,523
Accretion of property acquisition obligation	5	-	41,185
Accretion of provision for site restoration	6	59,529	19,306
Audit		57,171	51,325
Bank charges		3,836	6,017
Consulting		48,319	37,663
Corporate development		185,852	267,038
Depreciation	5	36,812	74,195
Directors and officers compensation	8(a)	443,652	415,807
Environmental		41,422	37,711
Equipment rentals and related		7,552	16,783
Fuel, electricity and utilities		113,179	86,184
General exploration		490,322	-
Insurance		7,686	14,469
Investment conferences		43,839	57,990
Legal		215,884	196,729
Marketing		1,028	178,495
Office		86,935	63,438
Plant maintenance		78,315	25,594
Plant supplies and consumables		26,565	18,144
Regulatory		278,341	47,000
Rent	8(b)	12,508	4,020
Research and development		185,407	316,443
Salaries, compensation and benefits		458,585	413,480
Share-based compensation	7(d)	1,216,525	-
Shareholder costs		40,571	26,346
Transfer agent		30,379	32,668
Travel		220,358	228,156
		<u>4,493,336</u>	<u>2,772,709</u>
Loss before other items		<u>(4,493,336)</u>	<u>(2,772,709)</u>
Other items			
Interest and other income		63,708	42,613
Foreign exchange		102,079	(63,902)
Impairment of exploration and evaluation assets	4	(121,736)	(126,030)
Forgiveness of directors and officers compensation	8(a)	63,000	-
		<u>107,051</u>	<u>(147,319)</u>
Net loss and comprehensive loss		<u>(4,386,285)</u>	<u>(2,920,028)</u>
Loss per share - basic and diluted		<u>\$(0.05)</u>	<u>\$(0.03)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>89,098,823</u>	<u>85,690,221</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, 2018						
	Share Capital		Share Subscriptions Received	Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$				
Balance at October 31, 2017	88,704,180	46,748,979	-	4,502,888	(22,668,039)	28,583,828
Common shares issued for:						
- share options exercised	400,000	156,000	-	-	-	156,000
- interest in LEM Romania	367,006	165,152	-	-	-	165,152
- finder's fee	18,350	8,258	-	-	-	8,258
Share subscriptions received	-	-	410,000	-	-	410,000
Transfer on exercise of share options	-	108,000	-	(108,000)	-	-
Share-based compensation	-	-	-	1,216,525	-	1,216,525
Net loss for the year	-	-	-	-	(4,386,285)	(4,386,285)
Balance at October 31, 2018	89,489,536	47,186,389	410,000	5,611,413	(27,054,324)	26,153,478

Year Ended October 31, 2017					
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$			
Balance at October 31, 2016	80,036,678	42,313,118	4,757,294	(19,748,011)	27,322,401
Common shares issued for:					
Cash - private placement	7,640,586	3,801,900	-	-	3,801,900
Cash - share options exercised	1,002,500	410,400	-	-	410,400
Cash - warrants exercised	24,416	17,091	-	-	17,091
Share issue costs	-	(89,524)	41,588	-	(47,936)
Transfer on exercise of share options	-	295,994	(295,994)	-	-
Net loss for the year	-	-	-	(2,920,028)	(2,920,028)
Balance at October 31, 2017	88,704,180	46,748,979	4,502,888	(22,668,039)	28,583,828

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,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the year	(4,386,285)	(2,920,028)
Adjustments for:		
Accretion of property acquisition obligation	59,529	41,185
Accretion of provision for site restoration	-	19,306
Depreciation	36,812	74,195
Foreign exchange	(28,046)	874
Share-based compensation	1,216,525	-
General exploration	173,410	-
Impairment of exploration and evaluation assets	121,736	126,030
Changes in non-cash working capital items:		
Amounts receivable	24,046	15,759
GST/VAT receivables	55,337	(74,900)
Prepaid expenses and deposit	33,021	(68,064)
Plant stores and supplies	2,110	(2,427)
Accounts payable and accrued liabilities	<u>(385,823)</u>	<u>359,166</u>
Net cash used in operating activities	<u>(3,077,628)</u>	<u>(2,428,904)</u>
Investing activities		
Additions to property, plant and equipment	-	(9,636)
Expenditures on exploration and evaluation assets	<u>(279,069)</u>	<u>(461,837)</u>
Net cash provided by (used in) investing activities	<u>(279,069)</u>	<u>(471,473)</u>
Financing activities		
Issuance of common shares	156,000	4,229,391
Share subscriptions received	410,000	-
Share issue costs	<u>(4,797)</u>	<u>(47,936)</u>
Net cash provided by financing activities	<u>561,203</u>	<u>4,181,455</u>
Net change in cash	(2,795,494)	1,281,078
Cash at beginning of year	<u>3,979,914</u>	<u>2,698,836</u>
Cash at end of year	<u>1,184,420</u>	<u>3,979,914</u>

Supplemental cash flow information - See Note 11

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a junior mining company currently engaged in the operation of its 100% owned Woxna Graphite Mine located in central Sweden. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "LEM", on the OTCQB under the symbol "LEMIF" and on NASDAQ First North under the symbol "LEMSE". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During fiscal 2018 the Company recorded a net loss of \$4,386,285 and, as at October 31, 2018, the Company had an accumulated deficit of \$27,054,324 and working capital of \$960,707. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. 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. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it will need additional capital to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production. In addition the Norra Kärr Property will require significant funds for development. 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. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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

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.

Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Details of the Group

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

The subsidiaries of the Company are as follows:

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

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

In fiscal 2018 management determined that impairment indicators were present in respect of certain of its exploration and evaluation assets and, as a result, an impairment charge of \$121,736 (2017 - \$126,030) was made. See Note 4.

- (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.

Management has determined that there were no triggering events present as at October 31, 2018, as defined in IAS 36, for property, plant and equipment and, as such, no impairment test was performed.

- (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 determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production. Effective August 1, 2015 the Company had determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete and is in the condition and available for use in the manner intended by management.
- (vii) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

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

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. At October 31, 2018 and 2017 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

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. If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

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

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

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

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

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

Property, Plant and Equipment

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

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

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

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

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

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

Impairment of Assets

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

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

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Provision for Site Restoration

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

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and reclamation deposit are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary. As at October 31, 2018 and 2017 the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities and property acquisition obligation are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At October 31, 2018 and 2017 the Company has not classified any financial liabilities as FVTPL.

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.

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3. Significant Accounting Policies (continued)

Share-Based Payment Transactions

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

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

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

Current and Deferred Income Taxes

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

Current Income Tax

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

Deferred Income Tax

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

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

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

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3. Significant Accounting Policies (continued)

Loss per Share

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

Foreign Currency Translation

Functional and Presentation Currency

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

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

Foreign Currency Transactions

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

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these consolidated financial statements, the following standards have not been applied in these financial statements:

- (i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect that the adoption of this standard will have a significant effect on the Company's consolidated financial statements.
- (ii) IFRS 15, *Revenue from Contracts with Customers*, outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company does not expect that the adoption of this standard will have a significant effect on the Company's consolidated financial statements.

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3. Significant Accounting Policies (continued)

- (iii) IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of this new standard on the Company's accounting policies and consolidated financial statement presentation.

4. Exploration and Evaluation Assets

	As at October 31, 2018			As at October 31, 2017		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Graphite Exploration						
Concessions	14,097	4,706	18,803	36,657	4,706	41,363
Norra Kärr	15,393,185	343,221	15,736,406	15,384,602	98,362	15,482,964
Bergby	49,791	357,239	407,030	49,791	341,732	391,523
Other	-	-	-	81,734	7,322	89,056
	<u>15,457,073</u>	<u>705,166</u>	<u>16,162,239</u>	<u>15,552,784</u>	<u>452,122</u>	<u>16,004,906</u>

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4. Exploration and Evaluation Assets (continued)

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Balance at October 31, 2016	<u>29,357</u>	<u>15,417,169</u>	<u>49,791</u>	<u>172,782</u>	<u>15,669,099</u>
Exploration costs					
Consulting	-	102,610	138,177	-	240,787
Drilling	-	-	173,153	-	173,153
Exploration site	-	-	8,023	-	8,023
Geochemical	-	-	21,918	-	21,918
Mapping	-	920	461	-	1,381
	<u>-</u>	<u>103,530</u>	<u>341,732</u>	<u>-</u>	<u>445,262</u>
Acquisition costs					
Mining rights	<u>12,006</u>	<u>-</u>	<u>-</u>	<u>4,569</u>	<u>16,575</u>
Impairment	<u>-</u>	<u>(37,735)</u>	<u>-</u>	<u>(88,295)</u>	<u>(126,030)</u>
Balance at October 31, 2017	<u>41,363</u>	<u>15,482,964</u>	<u>391,523</u>	<u>89,056</u>	<u>16,004,906</u>
Exploration costs					
Consulting	-	52,548	-	-	52,548
Environmental	-	155,389	-	-	155,389
Exploration site	-	-	1,035	-	1,035
Geochemical	-	-	5,345	-	5,345
Geological	-	17,634	9,127	-	26,761
Geophysical	-	-	-	1,231	1,231
Legal	-	19,288	-	-	19,288
	<u>-</u>	<u>244,859</u>	<u>15,507</u>	<u>1,231</u>	<u>261,597</u>
Acquisition costs					
Mining rights	<u>6,599</u>	<u>8,583</u>	<u>-</u>	<u>2,290</u>	<u>17,472</u>
Impairment	<u>(29,159)</u>	<u>-</u>	<u>-</u>	<u>(92,577)</u>	<u>(121,736)</u>
Balance at October 31, 2018	<u>18,803</u>	<u>15,736,406</u>	<u>407,030</u>	<u>-</u>	<u>16,162,239</u>

(a) *Graphite Exploration Concessions*

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

In 1993 Woxna entered into agreements under which it acquired:

- (i) the Kringelgruven concession for an initial payment of SEK 150,000 and a further amount of SEK 4,000,000 (the “property acquisition obligation”) is to be paid upon the commencement of production from the Kringelgruven concession; and
- (ii) the Mattsmyra, Gropabo and Mansberg concessions (the “Graphite Exploration Concessions”) for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions is to be paid upon commencement of production from these concessions.

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4. Exploration and Evaluation Assets (continued)

Payments of the additional considerations are 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 if profits are generated from the individual concessions. No production has commenced on the Mattsmyra, Gropabo and Mansberg concessions and the additional payments are considered to be contingent amounts and will only be recognized as obligations when production commences on these concessions.

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

(b) Norra Kärr

The Norra Kärr Property consists of an exploration license and a mining lease, located in south-central Sweden. The exploration license and the mining lease have been subject to ongoing legal opposition and appeals. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property.

During fiscal 2017 the Company recorded an impairment charge of \$37,735 on the relinquishment of certain minor claims.

(c) Bergby

The Bergby Project consists of three exploration permits located in central Sweden.

(d) Other Properties

(i) During fiscal 2018 the Company recorded an impairment charge of \$121,736 (2017 - \$88,295) on the relinquishment of claims in Sweden and Finland.

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

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

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

The Company shall fund all exploration expenditures and is required to incur a minimum of EUR 150,000 on exploration expenditures on or before April 26, 2020.

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

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4. Exploration and Evaluation Assets (continued)

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

5. Property, Plant and Equipment

					Mineral Property Acquisition and Development Costs	
	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$		Total \$
Cost:						
Balance at October 31, 2016	81,147	280,188	344,139	7,567,878	9,292,180	17,565,532
Additions	-	6,830	-	-	2,806	9,636
Adjustment to site restoration	-	-	-	-	192,170	192,170
Balance at October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338
Adjustment to site restoration	-	-	-	-	(42,742)	(42,742)
Balance at October 31, 2018	81,147	287,018	344,139	7,567,878	9,444,414	17,724,596
Accumulated Depreciation:						
Balance at October 31, 2016	(41,985)	(217,767)	(27,477)	(99,953)	-	(387,182)
Depreciation	(11,466)	(30,457)	(22,007)	(10,265)	-	(74,195)
Balance at October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	(6,720)	(8,079)	(22,013)	-	-	(36,812)
Balance at October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,189)
Carrying Value:						
Balance at October 31, 2017	27,696	38,794	294,655	7,457,660	9,487,156	17,305,961
Balance at October 31, 2018	20,976	30,715	272,642	7,457,660	9,444,414	17,226,407

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 Woxna Graphite Mine transitioned to production.

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringelgruven concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. The discounted value is then accreted to the estimated future value over the period of the payment obligation. During fiscal 2017 the Company applied a discount rate of 17%. The obligation was fully accreted as at October 31, 2017.

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5. Property, Plant and Equipment (continued)

A continuity of the property acquisition obligation for the Kringelgruven concession is as follows:

	\$
Balance at October 31, 2016	573,000
Accretion of discounted cash flows	41,185
Foreign exchange adjustment	<u>4,723</u>
Balance at October 31, 2017	618,908
Foreign exchange adjustment	<u>(40,896)</u>
Balance at October 31, 2018	<u>578,012</u>

6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruven concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. 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 41,500,000 to be incurred over the next 18 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.67% (2017 - 0.795%) and an inflation factor of 2.1% (2017 - 1.8%). 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, 2016	7,499,937
Accretion	19,306
Revision of estimates	(14,212)
Foreign exchange adjustment	<u>206,382</u>
Balance at October 31, 2017	7,711,413
Accretion	59,529
Revision of estimates	444,415
Foreign exchange adjustment	<u>(487,157)</u>
Balance at October 31, 2018	<u>7,728,200</u>

As at October 31, 2018 reclamation deposits of \$105,540 (SEK 730,364) has been paid and accounted for as a non-current deposit. The reclamation deposits were placed as security for site restoration on the Kringelgruven concession and on certain exploration and evaluation assets.

As at October 31, 2018 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

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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*

No equity financing was conducted by the Company during fiscal 2018. See also Note 13.

During fiscal 2017 the Company completed the following private placements:

- (i) 4,004,222 units at a price of \$0.45 per unit for gross proceeds of \$1,801,900. 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 a price of \$0.70 per share, expiring December 14, 2019. The Company paid finders' fees of \$13,757 cash and issued 30,570 finders' warrants, with each finders' warrant having the same terms as the warrants issued under the private placement. The fair value of the finders' warrants has been estimated to be \$10,088 using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.81%; expected volatility of 97%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred \$23,429 legal and filing costs associated with this private placement.

- (ii) 3,636,364 units at a price of \$0.55 per unit for gross proceeds of \$2,000,000. 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 a price of \$0.80 per share, expiring May 3, 2020, and can be called by the Company once the shares trade at a weighted average price of \$1.00 per common share for a period of 30 consecutive trading days. The Company issued 90,000 finder's warrants, with each finder's warrant having the same terms as the warrants issued under the private placement. The fair value of the finder's warrants has been estimated to be \$31,500 using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.81%; expected volatility of 94%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred \$10,750 filing costs associated with this private placement.

(b) *Compensation Options*

A summary of the Company's compensation options at October 31, 2018 and 2017 is presented below:

	Number	Weighted Average Exercise Price \$
Balance at October 31, 2016	147,953	2.20
Expired	<u>(147,953)</u>	2.20
Balance at October 31, 2017 and 2018	<u>-</u>	

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7. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at October 31, 2018 and 2017 is as follows:

	Number	Weighted Average Exercise Price \$
Balance at October 31, 2016	2,467,716	3.00
Issued	7,761,156	0.75
Exercised	(24,416)	0.70
Expired	<u>(2,467,716)</u>	3.00
Balance at October 31, 2017 and 2018	<u>7,736,740</u>	0.75

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at October 31, 2018:

Number	Exercise Price \$	Expiry Date
4,010,376	0.70	December 14, 2019
<u>3,726,364</u>	0.80	May 3, 2020
<u>7,736,740</u>		

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of up to five years.

During fiscal 2018 the Company granted share options to purchase 2,867,500 (2017 - nil) common shares and recorded compensation expense of \$1,216,525 (2017 - \$nil).

The fair value of share options granted and vested during fiscal 2018 is estimated using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.65% - 2.24%; expected volatility of 85% - 87%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0% - 100%.

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during fiscal 2018 was \$0.42 per share option.

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

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7. Share Capital (continued)

A summary of the Company's share options at October 31, 2018 and 2017 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance at October 31, 2016	7,977,500	0.43
Exercised	(1,002,500)	0.41
Expired	<u>(822,500)</u>	0.75
Balance at October 31, 2017	6,152,500	0.39
Issued	2,867,500	0.62
Exercised	(400,000)	0.39
Expired	<u>(45,000)</u>	0.51
Balance at October 31, 2018	<u>8,575,000</u>	0.47

The following table summarizes information about the share options outstanding and exercisable at October 31, 2018:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
255,000	255,000	0.48	December 2, 2018
5,470,000	4,320,000	0.39	October 14, 2021
2,700,000	2,700,000	0.64	November 2, 2022
<u>150,000</u>	<u>150,000</u>	0.33	August 14, 2023
<u>8,575,000</u>	<u>7,425,000</u>		

See also Note 13.

8. Related Party Disclosures

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

(a) During the fiscal 2018 and 2017 the following compensation was incurred:

	2018 \$	2017 \$
Professional fees and salaries	443,652	415,807
Share-based compensation	<u>892,250</u>	<u>-</u>
	<u>1,335,902</u>	<u>415,807</u>

During fiscal 2018 certain former and current officers and directors of the Company agreed to forgive \$63,000 of prior years' professional fees. As at October 31, 2018, \$31,500 (2017 - \$89,860) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President of the Company which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on October 31, 2018 the amount payable under the agreement would be \$199,992.

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8. Related Party Disclosures (continued)

- (b) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During fiscal 2018 the Company incurred \$56,500 (2017 - \$54,000) for services provided by Chase personnel, exclusive of the CFO, and \$4,020 (2017 - \$4,020) for rent. As at October 31, 2018, \$4,170 (2017 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2018 the Company also recorded \$53,750 (2017 - \$nil) for share-based compensation for share options granted to Chase.

9. Income Taxes

Deferred income tax assets are as follows:

	2018 \$	2017 \$
Deferred income tax assets (liabilities):		
Losses carried forward	8,656,600	8,110,300
Other	<u>7,800</u>	<u>33,500</u>
	8,664,400	8,143,800
Valuation allowance	<u>(8,664,400)</u>	<u>(8,143,800)</u>
Deferred income tax asset	<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:

	2018 \$	2017 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>26.83%</u>	<u>26.0%</u>
Expected income tax recovery	1,176,800	759,200
Foreign income tax rate difference	(65,400)	(40,100)
Non-deductible share-based compensation	(326,400)	-
Other	600	46,700
Unrecognized benefit of income tax losses	<u>(785,600)</u>	<u>(765,800)</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at October 31, 2018 the Company has non-capital losses of approximately \$21,320,312 (2017 - \$19,607,800) and cumulative pools of approximately \$29,100 (2017 - \$124,200) for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2023 through 2038. The Company's subsidiaries have losses for income tax purposes of approximately \$13,185,600 (2017 - \$12,801,000) which may be carried forward indefinitely.

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10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; available-for-sale and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	October 31, 2018 \$	October 31, 2017 \$
Cash	FVTPL	1,184,420	3,979,914
Amounts receivable	Loans and receivables	658	24,704
Reclamation deposit	Loans and receivables	105,540	112,522
Accounts payable and accrued liabilities	Other financial liabilities	(615,756)	(1,001,579)
Property acquisition obligation	Other financial liabilities	(578,012)	(618,908)

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

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

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

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

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

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash, reclamation deposit and amounts receivable. 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, 2018				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	1,184,420	1,184,420	1,184,420	-	-
Amounts receivable	658	658	658	-	-
Reclamation deposit	105,540	-	-	-	105,540
Accounts payable and accrued liabilities	(615,756)	(615,756)	(615,756)	-	-
Property acquisition obligation	(578,012)	(578,012)	-	(578,012)	-

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 SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At October 31, 2018, 1 Canadian Dollar was equal to SEK 6.92. Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	649,222	93,818
VAT receivable	139,305	20,131
Inventories	624,948	90,307
Plant stores and supplies	649,245	93,818
Reclamation deposit	730,364	105,540
Accounts payable and accrued liabilities	(1,414,813)	(204,453)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(578,012)</u>
	<u>(2,621,729)</u>	<u>(378,851)</u>

Based on the net exposures as of October 31, 2018 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$38,000 higher or lower.

Capital Management

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

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11. Supplemental Cash Flow Information

During fiscal 2018 and 2017 non-cash activities were conducted by the Company as follows:

	2018 \$	2017 \$
Operating activity		
Provision for site restoration	(42,742)	192,170
Investing activity		
Revisions of estimates on property, plant and equipment	42,742	(192,170)
Financing activities		
Issuance of common shares	108,000	41,588
Share issue costs	-	(41,588)
Share-based payments reserve	(108,000)	-
	-	-

12. Segmented Information

The Company is involved in the exploration and development of resource properties in Sweden and Finland, 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 a October 31, 2018				
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Mineral Operations Romania \$
				Total \$
Current assets	1,223,596	340,221	4,840	7,806
Exploration and evaluation assets	-	16,162,239	-	-
Property, plant and equipment	-	17,226,407	-	-
Reclamation deposit	-	105,540	-	-
Deferred costs	4,797	-	-	-
	1,228,393	33,834,407	4,840	7,806
				35,075,446

As a October 31, 2017				
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Total \$
Current assets		3,976,013	511,457	4,869
Exploration and evaluation assets		-	16,000,337	4,569
Property, plant and equipment		-	17,305,961	-
Reclamation deposit		-	112,522	-
		3,976,013	33,930,277	9,438
				37,915,728

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13. Events after the Reporting Period

Subsequent to October 31, 2018:

- (i) the Company completed a private placement financing of 6,027,855 units at a price of \$0.28 per unit for gross proceeds of \$1,687,800. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share, an exercise price of \$0.37 per share, expiring November 21, 2021. As at October 31, 2018 the Company had received \$410,000 on account of the private placement and incurred \$4,797 share issue costs;
- (ii) share options to acquire 255,000 common shares of the Company, at an exercise price of \$0.48 per share, expired without exercise; and
- (iii) the Company granted share options to consultants to acquire 643,109 common shares of the Company at an exercise price of \$0.165 per share, expiring January 11, 2022.

LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2018

This discussion and analysis of financial position and results of operation is prepared as at January 23, 2019 and should be read in conjunction with the audited consolidated financial statements for the years ended October 31, 2018 and 2017 of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

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

Company Overview

Leading Edge Materials is a Canadian and Swedish listed public company focused on production of high value critical raw materials for the European market. Leading Edge Material's flagship asset is the fully built and permitted Woxna graphite production facility located in central Sweden. As lithium ion batteries are comprised of approximately 15% high purity graphite, ongoing investment at Woxna is directed towards production of specialty materials for this emerging high growth market.

In addition to Woxna, Leading Edge Materials holds a portfolio of raw material assets suitable for lithium ion batteries (graphite, lithium, cobalt); increased efficiency of building products (graphite, silica, nepheline); and improvement in the efficiency of energy generation (dysprosium, neodymium, hafnium). The Company continues to seek out prospective battery material projects in Europe and will provide updates as information becomes available.

With a focus on Europe and assets in innovation-rich Scandinavia, Leading Edge Materials is ideally placed to play a pivotal role in the sustainable supply of technology critical materials.

Change in Officer and Director

Effective January 31, 2019 Mr. Blair Way, due to personal reasons, has resigned as a director, Chief Executive Officer (“CEO”) and President of the Company. Mr. Way will continue to act as a consultant to the Company, available to assist the Company in advancing the Woxna graphite business. Mr. Mark Saxon, currently a director of the Company, has been named interim CEO and President.

Company History:

The Company was incorporated on October 27, 2010 under the *Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company’s common shares began trading on the TSX Venture Exchange (the “TSXV”) as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. On August 25, 2016 the Company completed the acquisition of Tasman Metals Ltd. (“Tasman”) and changed its name to Leading Edge Materials Corp. The Company’s common shares trade on the TSXV as a Tier 1 mining issuer under the symbol “LEM”, on the OTCQB under the symbol “LEMIF” and on the Nasdaq First North, trading under the symbol “LEMSE”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Achievements:

Work undertaken by Leading Edge Materials during fiscal 2018 has been in line with the Board’s strategic roadmap to support and benefit from the electrification of transportation in Europe. Key elements of the Company’s ongoing investment strategy includes high value product development work on the Woxna graphite mine; increasing community engagement at the Norra Karr rare earth element project while identifying project improvements that reduce the environmental footprint; ongoing discovery of lithium at the Bergby project and in the surrounding region; and rapidly advancing various opportunities in cobalt across Europe including Finnish and Romanian assets.

Graphite:

At the Woxna graphite production facility, the Company is focused on optimization of the purification and shaping processes required to convert low value graphite into high value lithium ion battery-ready anode material. Laboratory based work to date has produced battery-ready anode materials by both chemical and thermal purification methods that meet the electrochemical specifications of battery cell manufacturers. Larger scale test work is ongoing targeting optimization of a purification flow sheet and definition of equipment requirements to produce battery grade materials and other salable by-products. The research focus is directed towards commercially proven process improvements which can be installed on the Woxna mine site within existing operating permits.

To facilitate process trade off and equipment selection decisions, the Company has undertaken additional test work for the thermal purification of graphite at the in-house laboratory of a large European company. The 2018 test program follows on from preliminary testing carried out in 2017 and has delivered a matrix of results where time, temperature and gas conditions are systematically varied. The performance data from this program will facilitate selection of the furnace equipment that can meet the required temperature while providing insight into the energy needs to produce various high purity graphite products.

The 2018 program has been highly instructive in defining the process conditions that achieve purities from 98%C through to 99.99%C. Based on test work to date, purity up to the highest value nuclear materials (99.999%C) can be achieved using Woxna graphite and a thermal purification system. Leading Edge Materials have tested both chemical and thermal graphite purification technologies, with both achieving “battery grade” material purity. As the Woxna site already has ample power capacity for thermal purification, and northern Sweden provides access to very low-price hydro power, thermal purification presents as a cost effective and low-carbon generation choice. Furthermore,

thermal purification removes the need to transport, handle and dispose of the toxic chemicals typically required for natural graphite purification, so ensuring minimum environmental impact and contributing to the sustainability of battery materials supplied from Woxna.

The Company also undertook comparative spheronising work programs. Results are very promising, having demonstrated process repeatability, while providing further insight into product yield and costs. The average yield to anode material achieved in the test program was 57.7%, significantly higher than prior assumptions with further yield gains possible in a future commercial operation.

More than 10 kgs of spheronised material was produced, which will be purified to battery grade and used in lithium ion battery cell testing. Scanning Electron Microscope imagery of the spheronised product shows grain morphology to be well rounded, smooth and without particle agglomeration, in line with current commercial natural graphite anode products.

Samples used for the test programs was refractory concentrate inventory.

Subject to financing, the Company plans to advance the development of an onsite demonstration plant to produce battery-ready anode graphite within 12 months. This demonstration plant will allow engagement with customers by providing volumes of anode materials that are adequate to be used within customer test circuits. Additionally, the demonstration plant will enable evaluation of by-products to develop markets for all materials produced at Woxna. A demonstration plant will also enable the Company to optimize technical and economic steps to define a commercial scale plant.

EU Battery Alliance:

In late May 2018 the Company presented at an EU Battery Alliance event in Malmö, Sweden, held as part of Nordic Clean Energy Week. Nordic Clean Energy Week is a high profile European event held in Sweden and Denmark focusing on the environmental and financial opportunities to arise from low carbon energy generation and energy storage.

In February 2018 the Company announced participation as a raw material industry representative within the EU Battery Alliance, which is comprised of more than 50 of Europe's strongest corporate voices within the emerging lithium ion battery sector, plus numerous support and government agencies. The Company is the only potential supplier of natural graphite anode material within the EU Battery Alliance, which allows the Company's voice to be clearly heard with regard to the sustainable supply of European raw materials.

The EU Battery Alliance was formed in response to the recognition that despite world-leading fundamental research and a broad customer base, particularly in the automotive industry, Europe is not playing a significant role in the industrial production of lithium ion batteries. European Commission research estimates that by 2025, the European battery market will have an annual value in the order of €250 billion, reflecting approximately 200 GWh of energy storage capacity per year, an industry too large to be left to global competitors.

Woxna Graphite Production Facility

The Woxna graphite production facility, which comprises four graphite deposits, and open pit mine, a fully permitted 100,000 ton per annum processing plant and tailings dam, is located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The principal property is the Kringelgruvan concession, where permission to mine remains current for approximately 25 years.

Investment at Woxna is focused on the production of graphite materials with much higher values than those previously supplied from the mine. The Company maintains the Woxna processing plant in an operation ready status, running it on an as needed basis to provide feedstock product for value added test work. The Company is working with potential customers to identify products that can be produced from the Woxna Graphite Mine. The Company is working to position itself as a supplier of choice in terms of price, supply security and quality to the European lithium ion battery and graphite markets. The production model being implemented aims to displace Chinese produced synthetic graphite with Swedish produced natural graphite products.

Previous Value Adding Projects

In May 2017 the Company announced test results from ten 18650 lithium ion battery cells manufactured using high purity graphite from the Woxna mine and processing facility. 18650 battery cells are the “industry standard” for testing battery performance, equivalent to those manufactured by Panasonic and used in Tesla electric vehicles.

Highlights of the latest test work included a strong and consistent battery cell capacity over 2 ampere hours with high coulombic efficiency (“CE”) trending over 99%. The Company is very pleased with the test results for its high purity natural flake graphite anode materials.

A large quantity of commercial graphite flotation concentrate from the Woxna mine was shipped to an independent laboratory in the United States for spheronising and thermal purification. This high purity graphite was used to produce anode material for the manufacture of 18650 battery cells. These cells were tested with high precision coulometry (“HPC”) to estimate the cell life cycle capability. HPC measures CE which is the loss of electrons per cycle, by accurately measuring the charge delivered during discharge against the charge stored during charging. The closer the CE gets to 100% the longer the life of the battery. At 100% CE the battery life is infinite, which has not been achieved to date in any lithium ion battery. The Company will provide further updates as test work and qualification progresses.

Production of 18650 format cells has enabled a more comprehensive test of the performance of Woxna high purity graphite in lithium ion batteries. The batteries bearing Woxna graphite were tested using HPC to measure anode performance and stability under “real-world” conditions. Test results are positive and encourage the Company to proceed further with battery material qualification.

Product from the Woxna graphite plant has been purified using a number of commercial techniques. Commercial Chinese chemical leaching technology and US thermal purification processes have been utilized to produce a number of different high purity spherical graphite samples for testing in lithium ion batteries. The results received to date have been excellent. The Company has been working with European and North American laboratories and equipment suppliers to better define the shaping and purification processes to value add the Woxna product lines. The results of these activities are being utilized for an internal evaluation of the most effective way to modify the Woxna production facility to meet the future demands of the battery industry.

In 2017 the Company announced four government funded R&D projects using graphite materials from Woxna that remain in progress. Projects include “Graphene Modified Composites for Long-Term and High-Temperature Applications”; Establishment of a large-scale battery manufacturing project in Sweden”; “Natural Swedish Graphite for Future Lithium Ion Batteries”; and “Graphene Energy”.

Technical Report

The Company commissioned Reed Leyton Consulting (“Reed Leyton”) to prepare a technical report (the “Technical Report”) in accordance with Canadian National Instrument 43-101 (“NI 43-101”) for the Kringelgruvan graphite deposit (“Kringelgruvan”), Gropabo graphite deposit (“Gropabo”), Mattsmyra graphite deposit (“Mattsmyra”) and Månsberg graphite deposit (“Månsberg”) that forms part of the Company’s 100% owned Woxna graphite plant. The Technical Report is dated with an effective date of March 24, 2015 and was prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects. The Qualified Person responsible for the Technical Report is Mr. Geoff Reed, consulting geologist for Reed Leyton.

Mineral Resources

Woxna owns four mining concessions over graphite deposits (Kringelgruvan, Gropabo, Mattsmyra and Månsberg - the Woxna Project) located along a 40km trend in central Sweden. The partially mined Kringelgruvan deposit lies adjacent to the processing plant, tailings dam and related infrastructure.

Table 1: Total Measured and Indicated Mineral Resources at the Woxna Graphite Project, Sweden.
Effective date March 24, 2015

Mining Lease	Classification	Tonnes x 1,000,000 (Mt)	Graphite ("Cg") %
Gropabo	Indicated	1.5	8.8
Mattsmyra	Indicated	3.4	8.4
Kringelgruven*	Measured	1.0	10.7
Kringelgruven*	Indicated	1.8	10.7
TOTAL	Measured + Indicated	7.7	9.3

*Previously reported, refer to Company's press release September 3, 2013 and November 5, 2013 with an effective date of October 11, 2013

Table 2: Total Inferred Mineral Resources at the Woxna Graphite Project, Sweden.
Effective date March 24, 2015

Mining Lease	Classification	Tonnes (Mt)	Cg %
Gropabo	Inferred	0.7	8.7
Mattsmyra	Inferred	1.2	8.4
TOTAL	Inferred	1.9	8.5

Cautionary Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

In addition to the Kringelgruvan, Gropabo, and Mattsmyra, the Månsberg flake graphite deposit contains historic resources. Månsberg will continue to be classified as historic resources.

Readers are encouraged to read the entire Technical Report which is available for download on the Company's website at www.leadingedgematerials.com or under the Company's Profile on SEDAR at www.sedar.com

As a result of the new estimated mineral resources for the Woxna Project, effective March 24, 2015, there is no longer a current PEA for the Woxna Project and the previous PEA released by the Company in 2013 is no longer current or valid as it does not consider these additional mineral resources. The Company cautions that it has no plans to complete a new preliminary economic assessment, a pre-feasibility or feasibility study at this time on the Woxna Project, as a result, there is an increased risk of technical and economic failure for the Woxna Project.

The decision to recommence mining at Woxna was not based on a feasibility study of mineral reserves demonstrating economic and technical viability as the Company is of the view that the establishment of mineral reserves is not necessary. There is increased uncertainty and risk of economic and technical failure associated with such production decisions. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing or other relevant issues.

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. The Woxna processing facility was refurbished and upgraded with new equipment in the first half of 2014 after which the processing plant commenced operation by feeding stockpiled graphitic material into the plant during July 2014. The plant was operated until the end of 2014 on stockpiled graphitic rock and mining of fresh graphitic rock commenced in Q1 2015. The freshly mined graphitic rock was fed into the Woxna processing facility and operated at normal design capacity producing graphite concentrate inventory. This inventory was stockpiled instead of sold due to declining global flake graphite demand during 2015. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company elected to stockpile and not sell any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions warrant it. The Company is currently pursuing opportunities to produce higher value specialty products such as high purity graphite for lithium ion batteries and other specialty end uses.

The Company's Board of Directors is of the view that the costs of undertaking a feasibility study for a brownfield project of this type and scale is cost prohibitive. Therefore, the Company determined it was the most responsible utilization of financial resources to restart the mine and processing plant to establish itself in the graphite market as quickly as possible to develop credible sales and marketing presence. The Company acknowledges that there is increased uncertainty and risk of economic and technical failure associated with such production decisions not supported by pre-feasibility and feasibility studies that are structured for a large greenfield project. With the cost of this brownfield project, the Company believes its financial decision to restart the Woxna mine was justified without the contribution from an extensive series of studies.

It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is production ready. It was concluded that the risk of restarting the plant was manageable which is demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost. Although prices for graphite have been on the rise since mid-2016, the Woxna plant remains on a production ready status and can be restarted if graphite products demonstrate consistent price rises to a profitable level.

Cobalt:

Romanian Exploration Alliance

The Exploration Alliance is focused on the discovery and development of lithium ion battery raw materials.

The principal efforts of the Exploration Alliance to date have been directed towards cobalt mineralization within the Upper Cretaceous Carpathian magmatic belt of the Balkan region. The Carpathian is a well mineralized intrusive arc that extends from Western Turkey to Hungary, forming the western end of the Tethyan Metallogenic Belt.

Following technical and commercial due diligence, Leading Edge Materials established a local branch company ("LEM Romania") of which it is the majority shareholder with the right to earn a 90% interest. LEM Romania is owner of the 25.5 sq km (2,550 ha) Bihor Sud Prospecting Permit in central western Romania. Bihor Sud lies within the same intrusive belt and less than 400km north of Nevsun Resources Ltd.'s Timok copper-gold project in Serbia which is currently subject to a friendly takeover bid by Zijin Mining Group Co. Ltd. Other notable deposits in the West Tethyan Metallogenic Belt include Skouries, Chelopech, Bor and Majdanpek.

Staff and consultants to LEM Romania have been active on Bihor Sud Prospecting Permit over the summer period, compiling historic data, sampling historic mine waste dumps, completing preliminary ground geophysics and soil sampling. Review of progress and results to date are considered highly encouraging, and it is anticipated that LEM Romania shall proceed to Exploration License application across prospective areas.

In August 2018 the Company closed on the exploration alliance focused on lithium ion battery materials in Romania announced in April, 2018.

In late April 2018 the Company announced initiation of an exploration alliance focused on lithium ion battery materials in Romania. The exploration alliance has highlighted cobalt and lithium opportunities, for which secure tenure is now being sought. The Company signed a share purchase agreement with an arm's length party under which a local company has been incorporated in Romania. Under the terms of the share purchase agreement, the Company will hold an initial 51% interest in a partnership company and the right to acquire up to 90% interest by making certain payments in shares of Leading Edge Materials.

After evaluation work both the Vena cobalt project in Sweden and the Kontio cobalt project in Finland were released in 2018.

Norra Kärr REE Project

Norra Kärr lies in south-central Sweden, 15 km northeast of the township of Gränna and 300 km southwest of the capital Stockholm in mixed forestry and farming land. The project is 100% owned by the Company via an exploration licence granted on August 31, 2009.

Mining Lease (ML)

The mining lease for Norra Kärr, is presently under reassessment by the Swedish Mines Inspectorate following a recommendation by the Swedish Supreme Administrative Court (“SAC”). In 2016, a Swedish governmental review of a Supreme Administrative Court (“SAC”) interpretation of the Swedish Mining Act lead the Swedish Mining Inspectorate (“Bergsstaten”) to reassess four granted Mining Leases. This review included the Company’s Norra Kärr Mining Lease. The Company has been advised by Swedish legal counsel that the Norra Kärr Mining Lease remains in force and is 100% owned by the Company during this review period. The Swedish Mines Inspectorate has requested additional information a number of times to complete their reassessment. Subsequent to the submission of the supplementary information, the Company was made aware that the status of the Norra Kärr Mining Lease has reverted from “granted” to “application”. The Company continues to hold exclusive rights to the Norra Kärr project throughout the Mining Lease application process.

The Bergsstaten requested supplementary information from Mining Lease applicants to proceed with the reassessment process. In mid-January 2018 the Company submitted all required information to Bergsstaten, to complement the original Norra Kärr Mining Lease application documentation submitted in 2013. As part of the review process, the Bergsstaten forwarded this supplementary information to various stakeholders for opinion, including the County Administration Board (“Länsstyrelsen”). The Länsstyrelsen published their response in Sweden June 15, 2018, requesting further information before an opinion on the Norra Kärr Mining Lease application can be delivered. Subsequent to this discussions were held with the mining inspector and this additional information was submitted in December 2018.

Exploration License (“EL”)

The Norra Kärr mining lease is surrounded by an Exploration License (“EL”) which was first granted to Tasman on August 31, 2009 for a period of six years until August 31 2015. On August 31, 2015, Tasman applied for a two-year extension of this EL, which was granted by the Swedish Mines Inspectorate. Subsequently, the renewal of the EL was appealed to the Administrative Court in Falun. The Company was advised late August 2016 that the appeal was upheld by the Administrative Court, which determined that the Mines Inspectorate was incorrect in granting the renewal to Tasman. Leading Edge Materials subsequently appealed the decision of the Administrative Court to the Kammarrätten in Sundsvall. The Company’s appeal was upheld, and the Norra Kärr EL was reinstated in with full legal effect February 21, 2017. A further 2 year extension of the Norra Kärr exploration license was submitted in late 2017 under the guidance of the mining inspector. On March 19, 2018 the Company was advised by Swedish Mines Inspectorate that the EL had been extended until August 31, 2019.

Process Development:

Process development research on Norra Kärr completed under the European Commission funded EURARE project achieved significant technical milestones. Hydrometallurgical research targeted optimized REE extraction from eudialyte, and successfully developed a new process delivering high REE recovery with a substantial reduction in process water consumed. In addition, this new process provided the opportunity for the efficient recovery of the additional high value metals hafnium and zirconium. Research culminated with the production of approximately 25 kg of mixed REE carbonate produced from a eudialyte concentrate, using a new and optimized hydrometallurgical flowsheet.

Magnetic separation was chosen as the preferred beneficiation pathway, in line with the processing research previously completed by the Company that indicated REE recovery of 86%. A total of approximately 500 kg of eudialyte mineral concentrate was produced from beneficiation of more than 5 tonnes of representative mineralized drill core.

In addition, more than 1 tonne of non-magnetic nepheline/feldspar by-product was produced, which has been delivered to the Company in Sweden. High purity nepheline and feldspar are highly sought for use in ceramic, paint, glass, cement and building products, and the Company shall seek to further optimize material for these markets.

In 2018 testwork completed at the Geological Survey of Finland (“GTK”) on a bulk sample originally collected under the EURARE Horizon2020 project delivered promising results. Nine tests were completed where the nepheline/feldspar sample was passed through a second phase of magnetic separation under varying conditions to remove any remaining iron impurity. This “clean-up” stage was highly effective in removing iron, which was lowered

to a level consistent with peer materials that are sold within Europe today. Once sub-20 micron material was screened out, iron oxide (“Fe₂O₃”) content of 0.1% was achieved with an iron oxide (ppm) to aluminum (%) ratio ranging from 45 to 50.

EURARE was a 5-year research project co-funded by the European Commission under the Seventh Framework Programme of the European Community for Research, Technological Development and Demonstration Activities (Grant Agreement NMP2-LA-2012-309373). The project completed research on Norra Kärr and other European REE deposits with a final technical meeting in November 2017.

In March 2015, Tasman published a comprehensive Pre-Feasibility Study (“PFS”) for the Norra Kärr project. The project now stands out as one of very few advanced heavy REE projects globally, and the only one that can produce more than 200 tonnes per year of dysprosium oxide for more than 20 years with a capital investment of less than US \$400 million.

PFS conclusions are supported by very extensive drilling, sampling, process testwork and REE consumer discussions. The PFS is a complete study, addressing in addition to mining and processing, all required on site and off site infrastructure, land access, reagent and fuel transport and storage, power access, water recycling and purification, waste rock and tailings storage, and final closure. Engineering work focused on applying the lowest risk process solutions using commercially available technology.

A technical report supporting the PFS is available in its entirety, on the SEDAR website at www.sedar.com, under Tasman’s SEDAR profile, or the Company’s website at www.leadingedgematerials.com. The PFS was prepared by GBM Minerals Engineering Consultants Limited (“GBM”), under the guidance of Michael Short, Principal Consultant for GBM who is a “Qualified Person” in accordance with NI 43-101.

The Mineral Resource and Mineral Reserve estimates were completed by Wardell Armstrong International Limited under the supervision of Greg Moseley and Mark Mounde, who are both “Qualified Persons” in accordance with NI 43-101. The process for the integrated processing plant for the PFS was completed by GBM under the supervision of Thomas Apelt who is a “Qualified Person” in accordance with NI 43-101. The infrastructure design and cost estimation for the PFS was completed by GBM under the supervision of Michael Short who is a “Qualified Person” in accordance with NI 43-101. The environmental and social section and the permitting review for the PFS was completed by Golder Associate Oy under the supervision of Gareth Digges La Touche who is a “Qualified Person” in accordance with NI 43-101.

The Norra Kärr mining lease is surrounded by an Exploration License (“EL”) which was first granted to Tasman on August 31, 2009 for a period of six years until August 31 2015. Since that date the Company has filed for extensions to the EL and most recently on March 19, 2018 the Company was advised by Swedish Mines Inspectorate that the EL had been extended until August 31, 2019.

Norra Kärr is a zirconium (“Zr”) and heavy REE enriched peralkaline nepheline syenite intrusion which covers 450m x 1,500m in area. The deepest extents of the REE mineralized intrusion exceed 350m. The rock units comprising the Norra Kärr intrusion include mineral phases that are comprised of or associated with REEs, Zr, Nb, Y and Hf.

Mineralogical studies show nearly all of the REE in the deposit is found within the mineral eudialyte. Eudialyte at Norra Kärr is relatively rich in REE’s compared to most other similar deposits globally, and also contains a very high proportion of high value heavy REE’s. The first phase drill program by Tasman at Norra Kärr commenced in mid-December 2009. A total of 121 exploration holes have now been completed, typically on 50m sections.

Bergby Lithium

The Bergby project is a lithium project located in central Sweden, 25km north of the town of Gävle. The claim area totals 1,903 hectares. The site is close to infrastructure, with major roads, rail and power supply passing immediately adjacent to the claim boundaries. Mapping and sampling of the Bergby claim in late 2016 and early 2017 located a large number of angular pegmatitic and aplitic lithium-mineralized boulders within an area of 650 metres by 250 metres. Lithium is hosted within the minerals spodumene and petalite. Analytical results for the 27 boulder samples averaged 0.85% Li₂O (lithium oxide) and ranged from 0.08% Li₂O to 2.3% Li₂O. The boulders are anomalous in other elements which characterize lithium-cesium-tantalum (“LCT”) pegmatites that are regularly associated with lithium deposits.

Bergby has been tested by a total of 33 drill holes to a maximum depth of 131.1m over an approximate 1500m strike length.

Mineralization drilled to date lies very close to surface, and extends from the outcrop beneath thin glacial soil cover. Intersections often include elevated levels of tantalum. Preliminary petrographic studies indicate the presence of the lithium minerals spodumene and petalite, which should support a traditional mineral processing path.

Qualified Person

The qualified person for the Company's project, Mr. Blair Way, B.Sc. (Geology), M.B.A., a Fellow of the Australasian Institute of Mining and Metallurgy, the Company's President and CEO, has reviewed and verified the contents of this document.

Financial Information

The report for the quarter-ended January 31, 2019 is expected to be published on or about March 28, 2019.

Selected Financial Data

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

	Year Ended October 31,		
	October 31, 2018 \$	October 31, 2017 \$	October 31, 2016 \$
Operations			
Expenses	(4,493,336)	(2,772,709)	(3,567,926)
Other items	107,051	(147,319)	113,032
Net loss	(4,386,285)	(2,920,028)	(3,454,894)
Basic and diluted loss per share	(0.05)	(0.03)	(0.07)
Dividends per share	Nil	Nil	Nil
Balance Sheet			
Working capital	960,707	3,490,760	2,436,641
Total assets	35,075,446	37,915,728	36,037,751
Total non-current liabilities	(8,306,212)	(8,330,321)	(8,072,937)

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 2018				Fiscal 2017			
	October 31, 2018 \$	July 31, 2018 \$	April 30, 2018 \$	January 31, 2018 \$	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	January 31, 2017 \$
Operations								
Expenses	(1,151,305)	(697,426)	(665,364)	(1,979,241)	(843,952)	(598,339)	(661,022)	(669,396)
Other items	39,448	(7,721)	32,508	42,816	75,938	(85,392)	(59,749)	(78,116)
Comprehensive loss	(1,111,857)	(705,147)	(632,856)	(1,936,425)	(768,014)	(683,731)	(720,771)	(747,512)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)
Financial Position								
Working capital	960,707	1,369,748	2,041,550	2,698,150	3,490,760	4,430,469	3,980,145	3,582,767
Total assets	35,075,446	36,132,517	36,139,745	36,902,593	37,915,728	39,267,743	38,320,958	36,893,309
Total non-current liabilities	(8,306,212)	(8,902,310)	(8,157,203)	(8,204,190)	(8,330,321)	(9,557,984)	(8,967,308)	(7,942,687)

Results of Operations

Three Months Ended October 31, 2018 Compared to Three Months Ended October 31, 2017

During the three months ended October 31, 2018 (the “Q4/2018”) the Company reported a net loss of \$1,111,857 compared to a net loss of \$768,014 for the prior three months ended October 31, 2017 (the “Q4/2017”), for an increase in loss of \$243,843. The increase in loss was primarily attributed to general exploration work associated with the exploration alliance in Romania in Q4/2018 and the recognition of the initial common shares issued, at an ascribed amount of \$173,410, under the share purchase agreement.

Year Ended October 31, 2018 Compared to Year Ended October 31, 2017

During the year ended October 31, 2018 (“fiscal 2018”), the Company incurred a net loss of \$4,386,285 compared to a loss of \$2,920,028 during the year ended October 31, 2017 (“fiscal 2017”), an increase in loss of \$1,466,257. The increase in loss is primarily attributed to the recognition of share-based compensation of \$1,216,525 on the granting of stock options in fiscal 2018. No stock options were granted or vested during fiscal 2017. In addition during fiscal 2018 the Company recorded \$490,322 general exploration compared to \$nil in fiscal 2017.

Excluding share-based compensation, expenses increased by \$513,447, from \$2,772,709 during fiscal 2017 to \$3,286,156 during fiscal 2018. Specific expenses of note during fiscal 2018 are as follows:

- (i) incurred \$443,652 (2017 - \$415,807) for director and officer compensation charged by the Company’s directors and officers. See also “Related Party Transactions and Balances”;
- (ii) incurred \$278,341 (2017 - \$47,000) for regulatory fees. The increase in regulatory fees was attributed to services provided to the Company and additional fees incurred for the listing of its common shares on Nasdaq First North;
- (iii) incurred a total of \$102,764 (2017 - \$96,523) for accounting and administration services of which \$56,500 (2017 - \$54,000) was for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare, and \$46,164 (2017 - \$42,523) was for bookkeeping and accounting services provided by an independent accountant in Sweden;
- (iv) the Company recorded \$41,185 accretion of property acquisition obligation during fiscal 2017. As at October 31, 2017 the Company has fully accreted the SEK 4,000,000 additional consideration associated with the Kringelgruvan concession;
- (v) shareholder costs increased by \$14,225, from \$26,346 during fiscal 2017 to \$40,571 during fiscal 2018. During fiscal 2018 the Company incurred increased costs for additional ongoing news dissemination as a result of the Nasdaq First North listing;
- (vi) incurred a total of \$215,884 (2017 - \$196,729) for legal expenses;
- (vii) the Company has engaged a consultant to assist in the identification and review of marketing and development of commercial relationships for the Company’s graphite products. During fiscal 2017 the Company paid \$178,495 to the consultant. Services provided in fiscal 2018 was significantly reduced and the Company paid \$1,028;
- (viii) recorded research and development expenses of \$185,407 (2017 - \$316,443). The Company has continued to conduct research and development to optimize and improve the purification process;
- (ix) incurred a total of \$185,852 (2017 - \$267,038) for corporate development expenses. During fiscal 2017 the Company participated in several market awareness programs and engaged a consultant to provide corporate information on the Company; and
- (x) general exploration expenses of \$490,322 (2017 - \$nil) was recorded during fiscal 2018, of which \$316,912 was for exploration work in Romania and \$173,410 was the ascribed value of the 385,356 common shares issued under the share purchase agreement.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During fiscal 2018 the Company reported interest of \$36,062, a decrease of \$6,551, compared to \$42,613 during fiscal 2017 due to lower levels of cash held during fiscal 2018. During fiscal 2018 the Company also recorded other income of \$27,646. The Company received a government grant in Sweden for their research and development in production and marketing of graphite.

During fiscal 2018 the Company reviewed accounts payable balances due to former directors and officers of Tasman. It was agreed that the amounts, totalling \$63,000, were forgiven and, accordingly, the Company has recorded the amount as a recovery.

Financings

No financings were undertaken during fiscal 2018. The Company issued 400,000 common shares on the exercise of share options for \$156,000.

During fiscal 2017 the Company completed private placement financings of 4,004,222 units at \$0.45 per unit and 3,636,364 units at \$0.55 per unit for total gross proceeds of \$3,801,900. The net proceeds from these financings were used to conduct testwork toward the production of high-purity graphite at the Woxna graphite project, to further lithium and cobalt exploration activities and for general corporate requirements. In addition the Company issued 1,026,916 common shares on the exercise of share options and warrants for \$427,491.

Property, Plant and Equipment

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Cost:						
Balance - October 31, 2016	81,147	280,188	344,139	7,567,878	9,292,180	17,565,532
Additions	-	6,830	-	-	2,806	9,636
Adjustment to site restoration	-	-	-	-	192,170	192,170
Balance - October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338
Adjustment to site restoration	-	-	-	-	(42,742)	(42,742)
Balance - October 31, 2018	81,147	287,018	344,139	7,567,878	9,444,414	17,724,596
Accumulated Depreciation:						
Balance - October 31, 2017	(41,985)	(217,767)	(27,477)	(99,953)	-	(387,182)
Depreciation	(11,466)	(30,457)	(22,007)	(10,265)	-	(74,195)
Balance - October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	(6,720)	(8,079)	(22,013)	-	-	(36,812)
Balance - October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,199)
Carrying Value:						
Balance - October 31, 2017	27,696	38,794	294,655	7,457,660	9,487,156	17,305,961
Balance - October 31, 2018	20,976	30,715	272,642	7,457,660	9,444,414	17,226,407

Exploration and Evaluation Assets

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Balance at October 31, 2016	29,357	15,417,169	49,791	172,782	15,669,099
Exploration costs					
Consulting	-	102,610	138,177	-	240,787
Drilling	-	-	173,153	-	173,153
Exploration site	-	-	8,023	-	8,023
Geochemical	-	-	21,918	-	21,918
Mapping	-	920	461	-	1,381
	-	103,530	341,732	-	445,262

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Acquisition costs					
Mining rights	12,006	-	-	4,569	16,575
Impairment	-	(37,735)	-	(88,295)	(126,030)
Balance at October 31, 2017	41,363	15,482,964	391,523	89,056	16,004,906
Exploration costs					
Consulting	-	52,548	-	-	52,548
Environmental	-	155,389	-	-	155,389
Exploration site	-	-	1,035	-	1,035
Geochemical	-	-	5,345	-	5,345
Geological	-	17,634	9,127	-	26,761
Geophysical	-	-	-	1,231	1,231
Legal	-	19,288	-	-	19,288
	-	244,859	15,507	1,231	261,597
Acquisition costs					
Mining rights	6,599	8,583	-	2,290	17,472
Impairment	(29,159)	-	-	(92,577)	(121,736)
Balance at October 31, 2018	18,803	15,736,406	407,030	-	16,162,239

During fiscal 2018 the Company recorded total additions of \$279,069 (2017 - \$461,837) and \$121,736 (2017 - \$126,030) impairment of certain minor claims.

Financial Condition / Capital Resources

During fiscal 2018 the Company recorded a net loss of \$4,386,285 and, as at October 31, 2018, the Company had an accumulated deficit of \$27,054,324 and working capital of \$960,707. The Company is maintaining its Woxna Graphite Mine on a “production-ready” basis to minimize costs. The Company currently has no significant budget allocated for the Norra Kärr Project. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it will need additional capital to maintain current levels of research and development, recommence operations at the Woxna Graphite Mine and/or upgrade the plant to produce value added production. 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. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

Subsequent to October 31, 2018 the Company completed a private placement financing of 6,027,855 units for gross proceeds of \$1,687,800.

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, 2018 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the October 31, 2018 audited annual consolidated financial statements.

Related Party Transactions and Balances

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

(a) During fiscal 2018 and 2017 the following compensation was incurred:

	2018 \$	2017 \$
Management fees - Mr. Way, President, CEO and director	199,992	199,992
Consulting fees - Mr. Hudson, Chairman and director	30,000	16,000
Consulting fees - Mr. DeMare, CFO, Corporate Secretary and former director ⁽¹⁾	30,000	19,500
Consulting fees - Mr. Saxon, director ⁽²⁾	144,000	84,500
Consulting fees - Mr. Ranggard, former director ⁽³⁾	-	62,475
Consulting fees - Mr. Kozlowski, director ⁽⁴⁾	30,000	7,500
Consulting fees - Ms. Bermudez, Corporate Secretary ⁽⁵⁾	9,660	25,840
Share-based compensation - Mr. Way	172,000	-
Share-based compensation - Mr. Hudson	172,000	-
Share-based compensation - Mr. DeMare	118,250	-
Share-based compensation - Mr. Saxon	172,000	-
Share-based compensation - Mr. Kozlowski	172,000	-
Share-based compensation - Ms. Bermudez	86,000	-
	<u>1,335,902</u>	<u>415,807</u>

(1) Mr. DeMare resigned as a director on December 15, 2017 but remains as the Company's CFO and was appointed as Corporate Secretary on April 30, 2018.

(2) Mr. Saxon received \$30,000 (2017 - \$16,500) for director fees and \$114,000 (2017 - \$68,500) for being a member of the technical advisory committee.

(3) During the 2017 period Mr. Ranggard received \$4,500 for director fees and \$57,975 for being a member of the legal advisory committee. Mr. Ranggard resigned as a director on July 11, 2017.

(4) Mr. Kozlowski was appointed as a director on August 2, 2017.

(5) Ms. Bermudez resigned as corporate secretary on April 30, 2018.

As at October 31, 2018 \$31,500 (\$89,860) remained unpaid.

The Company has a management agreement with Mr. Way which provides that in the event Mr. Way's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on October 31, 2018, the amount payable under the agreement would be \$199,992. The Company has agreed to pay this termination amount to Mr. Way upon his resignation, effective January 31, 2019.

(ii) During fiscal 2018 the Company incurred \$56,500 (2017 - \$54,000) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$4,020 (2017 - \$4,020) for rent. As at October 31, 2018, \$4,170 (2017 - \$4,170) remained unpaid. In addition the Company recorded \$53,750 (2017 - \$nil) for share-based compensation for share options granted to Chase.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at January 23, 2019, there were 95,517,391 issued and outstanding common shares, 13,764,595 warrants outstanding with exercise prices ranging from \$0.37 to \$0.80 per share and 8,963,109 share options outstanding with exercise prices ranging from \$0.165 to \$0.64 per share.