Independent Auditor's Report

To the Shareholders of Leading Edge Materials Corp.

Opinion
We have audited the consolidated financial statements of Leading Edge Materials Corp. (the “Company”), which comprise the consolidated statements of financial position as at October 31, 2019 and October 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and October 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of $11,117,407 and, as at October 31, 2019, the Company had an accumulated deficit of $38,171,731 and working capital of $132,551. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.
Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
January 21, 2020
Chartered Professional Accountants
LEADING EDGE MATERIALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>October 31, 2019</th>
<th>October 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>395,609</td>
<td>1,184,420</td>
</tr>
<tr>
<td>GST/VAT receivables</td>
<td>50,166</td>
<td>56,448</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>282</td>
<td>658</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>99,409</td>
<td>150,812</td>
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<tr>
<td>Inventory</td>
<td>83,772</td>
<td>90,307</td>
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<tr>
<td>Plant stores and supplies</td>
<td>86,472</td>
<td>93,818</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>715,710</td>
<td>1,576,463</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>4</td>
<td>16,226,721</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>5</td>
<td>7,784,936</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>6</td>
<td>97,740</td>
</tr>
<tr>
<td>Deferred costs</td>
<td>7(b)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>24,109,397</td>
<td>33,498,983</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>24,825,107</td>
<td>35,075,446</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td></td>
<td>583,159</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for site restoration</td>
<td>6</td>
<td>7,165,140</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>4(a), 5</td>
<td>536,184</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>7,701,324</td>
<td>8,306,212</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>8,284,483</td>
<td>8,921,968</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>7</td>
<td>48,874,669</td>
</tr>
<tr>
<td>Share subscriptions received</td>
<td>7(b)</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payments reserve</td>
<td>7(d)</td>
<td>5,837,686</td>
</tr>
<tr>
<td>Deficit</td>
<td>(38,171,731)</td>
<td>(27,054,324)</td>
</tr>
<tr>
<td><strong>TOTAL SHAREHOLDERS’ EQUITY</strong></td>
<td>16,540,624</td>
<td>26,153,478</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td>24,825,107</td>
<td>35,075,446</td>
</tr>
</tbody>
</table>

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 21, 2020 and are signed on its behalf by:

/s/ Mark Saxon /s/ Michael Hudson
Mark Saxon Michael Hudson
Director 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)

<table>
<thead>
<tr>
<th>Note</th>
<th>Expenses</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accounting and administration</td>
<td>8(b)</td>
<td>92,421</td>
</tr>
<tr>
<td>6</td>
<td>Accretion of provision for site restoration</td>
<td></td>
<td>50,632</td>
</tr>
<tr>
<td></td>
<td>Audit</td>
<td></td>
<td>52,217</td>
</tr>
<tr>
<td></td>
<td>Bank charges</td>
<td></td>
<td>6,402</td>
</tr>
<tr>
<td></td>
<td>Consulting</td>
<td></td>
<td>118,406</td>
</tr>
<tr>
<td>5</td>
<td>Corporate development</td>
<td></td>
<td>162,264</td>
</tr>
<tr>
<td></td>
<td>Depreciation</td>
<td></td>
<td>32,696</td>
</tr>
<tr>
<td>8(a)</td>
<td>Directors and officers compensation</td>
<td></td>
<td>483,998</td>
</tr>
<tr>
<td></td>
<td>Environmental</td>
<td></td>
<td>25,218</td>
</tr>
<tr>
<td></td>
<td>Equipment rentals and related</td>
<td></td>
<td>3,368</td>
</tr>
<tr>
<td></td>
<td>Fuel, electricity and utilities</td>
<td></td>
<td>67,533</td>
</tr>
<tr>
<td></td>
<td>General exploration</td>
<td></td>
<td>95,171</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
<td></td>
<td>23,510</td>
</tr>
<tr>
<td></td>
<td>Investment conferences</td>
<td></td>
<td>7,703</td>
</tr>
<tr>
<td></td>
<td>Legal</td>
<td></td>
<td>18,450</td>
</tr>
<tr>
<td></td>
<td>Marketing</td>
<td></td>
<td>79,946</td>
</tr>
<tr>
<td></td>
<td>Office</td>
<td></td>
<td>42,158</td>
</tr>
<tr>
<td></td>
<td>Plant maintenance</td>
<td></td>
<td>13,104</td>
</tr>
<tr>
<td></td>
<td>Plant supplies and consumables</td>
<td></td>
<td>136,476</td>
</tr>
<tr>
<td></td>
<td>Rent</td>
<td></td>
<td>4,020</td>
</tr>
<tr>
<td></td>
<td>Research and development</td>
<td></td>
<td>108,599</td>
</tr>
<tr>
<td>7(d)</td>
<td>Salaries, compensation and benefits</td>
<td></td>
<td>389,548</td>
</tr>
<tr>
<td></td>
<td>Share-based compensation</td>
<td></td>
<td>239,773</td>
</tr>
<tr>
<td></td>
<td>Shareholder costs</td>
<td></td>
<td>51,835</td>
</tr>
<tr>
<td></td>
<td>Transfer agent</td>
<td></td>
<td>30,913</td>
</tr>
<tr>
<td></td>
<td>Travel</td>
<td></td>
<td>57,137</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,393,498</td>
</tr>
</tbody>
</table>

### Loss before other items

<table>
<thead>
<tr>
<th>Note</th>
<th>Loss before other items</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(2,393,498)</td>
</tr>
</tbody>
</table>

### Other items

<table>
<thead>
<tr>
<th>Note</th>
<th>Other items</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest and other income</td>
<td></td>
<td>57,149</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange</td>
<td></td>
<td>18,942</td>
</tr>
<tr>
<td>4</td>
<td>Impairment of exploration and evaluation assets</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Impairment of property, plant and equipment</td>
<td></td>
<td>8,800,000</td>
</tr>
<tr>
<td>8(a)</td>
<td>Forgiveness of directors and officers compensation</td>
<td></td>
<td>63,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(8,723,909)</td>
</tr>
</tbody>
</table>

### Net loss and comprehensive loss

<table>
<thead>
<tr>
<th>Note</th>
<th>Net loss and comprehensive loss</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(11,117,407)</td>
<td>(4,386,285)</td>
</tr>
</tbody>
</table>

### Loss per share - basic and diluted

<table>
<thead>
<tr>
<th>Note</th>
<th>Loss per share - basic and diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(0.12)</td>
</tr>
</tbody>
</table>

### Weighted average number of common shares outstanding - basic and diluted

<table>
<thead>
<tr>
<th>Note</th>
<th>Weighted average number of common shares outstanding - basic and diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>95,187,843</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Year Ended October 31, 2019</th>
<th>Share Subscriptions Received</th>
<th>Share-Based Payments Reserve</th>
<th>Deficit</th>
<th>Total Equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares</td>
<td>Amount $</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Balance at October 31, 2018</td>
<td>89,489,536</td>
<td>47,186,389</td>
<td>410,000</td>
<td>5,611,413</td>
<td>(27,054,324)</td>
</tr>
<tr>
<td>Common shares issued for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- private placement</td>
<td>6,027,855</td>
<td>1,687,799</td>
<td>(410,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- share options exercised</td>
<td>150,000</td>
<td>24,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>-</td>
<td>(37,019)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer on exercise of share options</td>
<td>-</td>
<td>13,500</td>
<td>-</td>
<td>(13,500)</td>
<td>-</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>239,773</td>
<td>-</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(11,117,407)</td>
</tr>
<tr>
<td>Balance at October 31, 2019</td>
<td>95,667,391</td>
<td>48,874,669</td>
<td>-</td>
<td>5,837,686</td>
<td>(38,171,731)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Year Ended October 31, 2018</th>
<th>Share Subscriptions Received</th>
<th>Share-Based Payments Reserve</th>
<th>Deficit</th>
<th>Total Equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares</td>
<td>Amount $</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Balance at October 31, 2017</td>
<td>88,704,180</td>
<td>46,748,979</td>
<td>-</td>
<td>4,502,888</td>
<td>(22,668,039)</td>
</tr>
<tr>
<td>Common shares issued for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- share options exercised</td>
<td>400,000</td>
<td>156,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- interest in LEM Romania</td>
<td>367,006</td>
<td>165,152</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- finder’s fee</td>
<td>18,350</td>
<td>8,258</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share subscriptions received</td>
<td>-</td>
<td>-</td>
<td>410,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer on exercise of share options</td>
<td>-</td>
<td>108,000</td>
<td>-</td>
<td>(108,000)</td>
<td>-</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,216,525</td>
<td>-</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,386,285)</td>
</tr>
<tr>
<td>Balance at October 31, 2018</td>
<td>89,489,536</td>
<td>47,186,389</td>
<td>410,000</td>
<td>5,611,413</td>
<td>(27,054,324)</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
</tr>
<tr>
<td>$</td>
</tr>
<tr>
<td>Operating activities</td>
</tr>
<tr>
<td>Net loss for the year</td>
</tr>
<tr>
<td>Adjustments for:</td>
</tr>
<tr>
<td>Accretion of provision for site restoration</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Foreign exchange</td>
</tr>
<tr>
<td>Share-based compensation</td>
</tr>
<tr>
<td>General exploration</td>
</tr>
<tr>
<td>Impairment of exploration and evaluation assets</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
</tr>
<tr>
<td>Changes in non-cash working capital items:</td>
</tr>
<tr>
<td>Amounts receivable</td>
</tr>
<tr>
<td>GST/VAT receivables</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
</tr>
<tr>
<td>Plant stores and supplies</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
</tr>
<tr>
<td>Investing activities</td>
</tr>
<tr>
<td>Expenditures on exploration and evaluation assets</td>
</tr>
<tr>
<td>Additions to property, plant and equipment</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
</tr>
<tr>
<td>Financing activities</td>
</tr>
<tr>
<td>Issuance of common shares</td>
</tr>
<tr>
<td>Share subscriptions received</td>
</tr>
<tr>
<td>Share issue costs</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
</tr>
<tr>
<td>Net change in cash</td>
</tr>
<tr>
<td>Cash at beginning of year</td>
</tr>
<tr>
<td>Cash at end of year</td>
</tr>
</tbody>
</table>

Supplemental cash flow information - See Note 11
1. Nature of Operations and Going Concern

The Company is a junior mining company primarily focussed on its 100% owned Woxna Graphite Mine located in central Sweden. The Company also holds exploration permits and a mining lease application in Sweden and has and has made exploration licence applications in Romania. The Company’s common shares trade on the TSX Venture Exchange (the “TSXV”) under the symbol “LEM”, on the OTCQB under the symbol “LEMIF” and on NASDAQ First North under the symbol “LEMSE”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During fiscal 2019 the Company recorded a net loss of $11,117,407 and, as at October 31, 2019, the Company had an accumulated deficit of $38,171,731 and working capital of $132,551. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. On August 1, 2015 the Company determined it had completed the refurbishment and commissioning of the Woxna Graphite Mine. The Company maintains ongoing research and development to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is maintaining its Woxna Graphite Mine on a “production-ready” basis to minimize costs. The Company anticipates that it will require additional capital to meet anticipated levels of corporate administration and overheads for the ensuing twelve months, to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production and to fund future development of the Norra Kärr Property and exploration activities in Romania. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company’s long-lived assets is dependent upon the Company’s ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. 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.

See also Note 13.

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.
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:

<table>
<thead>
<tr>
<th>Company</th>
<th>Location of Incorporation</th>
<th>Ownership Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flinders Holdings Limited (“Flinders Holdings”)</td>
<td>British Columbia</td>
<td>100%</td>
</tr>
<tr>
<td>Woxna Graphite AB (“Woxna”)</td>
<td>Sweden</td>
<td>100%</td>
</tr>
<tr>
<td>Tasman Metals Ltd.</td>
<td>British Columbia</td>
<td>100%</td>
</tr>
<tr>
<td>Tasman Metals AB</td>
<td>Sweden</td>
<td>100%</td>
</tr>
<tr>
<td>Acp Akku Oy</td>
<td>Finland</td>
<td>100%</td>
</tr>
<tr>
<td>LEM Resources SRL (“LEM Romania”)</td>
<td>Romania</td>
<td>51%</td>
</tr>
</tbody>
</table>

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.
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 was made. See Note 4(d)(ii). In fiscal 2019 management determined that there were no impairment indicators and no impairment charge was required. See also Note 4(b).

(iv) Management is required to assess impairment in respect of property, plant and equipment. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgments on the status of the project and the future plans toward finding commercial reserves to which the property, plant and equipment relate to.

In fiscal 2019 management determined that impairment indicators were present, as defined in IAS 36, for property, plant and equipment and, as a result an impairment test was performed. See Note 5. In fiscal 2018 management determined that there were no impairment indicators and no impairment charge was required.

(v) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(vi) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company’s estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 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.
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, 2019 and 2018 the Company did not have any cash equivalents.

Amounts Receivable

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

Inventory

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

Plant Stores and Supplies

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

Accounts Payable and Accrued Liabilities

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

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

Exploration and Evaluation Assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties 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.
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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Depreciation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>20%</td>
</tr>
<tr>
<td>Equipment and tools</td>
<td>20%</td>
</tr>
<tr>
<td>Building</td>
<td>5% to 10%</td>
</tr>
<tr>
<td>Manufacturing and processing facility</td>
<td>20% or on a unit of production basis</td>
</tr>
<tr>
<td>Mineral property acquisition and development costs</td>
<td>Unit of production basis</td>
</tr>
</tbody>
</table>

   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.
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

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

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

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Share Capital

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

Equity Financing

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

**Adoption of New Accounting Standards**

(i) **IFRS 9 - Financial instruments (“IFRS 9”)**

The Company adopted all of the requirements of IFRS 9 as of November 1, 2018. IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Original Under IAS 39</th>
<th>New Under IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Amount $</td>
<td>Classification</td>
</tr>
<tr>
<td>Cash</td>
<td>FVTPL 1,184,420</td>
<td>FVTPL 1,184,420</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>Loans and receivables 658</td>
<td>Amortized cost 658</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>Loans and receivables 105,540</td>
<td>Amortized cost 105,540</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>Other financial liabilities (615,756)</td>
<td>Amortized cost (615,756)</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>Other financial liabilities (578,012)</td>
<td>Amortized cost (578,012)</td>
</tr>
</tbody>
</table>
3. Significant Accounting Policies (continued)

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the
new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on
November 1, 2018.

(ii) IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”)

The Company adopted all of the requirements of IFRS 15 as of November 1, 2018. This new accounting
pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and
cash flows arising from an entity’s contracts with customers.

There was no impact on the Company’s consolidated financial statements upon the adoption of IFRS 15, as the
Company does not have any revenue from contracts with customers.

Accounting Standards and Interpretations Issued but Not Yet Effective

The standard and interpretation that has been issued, but is not yet effective, up to the date of the issuance of these
consolidated financial statements is discussed below.

In January 2016 the IASB issued IFRS 16 - Leases, which replaces IAS 17 - Leases and its associated interpretative
guidance. 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
applies to annual reporting periods beginning on or after January 1, 2019. Management has assessed the impact of adopting
IFRS16 and has determined that, as at November 1 2019, there will be no impact on the Company’s accounting policies
and consolidated financial statement presentation.

4. Exploration and Evaluation Assets

<table>
<thead>
<tr>
<th></th>
<th>As at October 31, 2019</th>
<th></th>
<th>As at October 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition Costs $</td>
<td>Deferred Exploration Costs $</td>
<td>Total $</td>
</tr>
<tr>
<td>Graphite Exploration Concessions</td>
<td>10,081</td>
<td>4,706</td>
<td>14,787</td>
</tr>
<tr>
<td>Norra Kärr</td>
<td>15,402,622</td>
<td>396,043</td>
<td>15,798,665</td>
</tr>
<tr>
<td>Bergby</td>
<td>54,733</td>
<td>358,536</td>
<td>413,269</td>
</tr>
</tbody>
</table>

                      | Acquisition Costs $    | Deferred Exploration Costs $ | Total $             |
| 15,467,436          | 759,285               | 16,226,721             | 15,457,073           |
| 15,457,073          | 705,166               | 16,162,239             | 15,736,406           |

Page 17
### 4. Exploration and Evaluation Assets (continued)

<table>
<thead>
<tr>
<th></th>
<th>Graphite Exploration Concessions</th>
<th>Norra Kärr $</th>
<th>Bergby $</th>
<th>Other $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at October 31, 2017</strong></td>
<td></td>
<td>41,363</td>
<td>15,482,964</td>
<td>391,523</td>
<td>89,056</td>
</tr>
<tr>
<td><strong>Exploration costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>-</td>
<td>52,548</td>
<td>-</td>
<td>-</td>
<td>52,548</td>
</tr>
<tr>
<td>Environmental</td>
<td>-</td>
<td>155,389</td>
<td>-</td>
<td>-</td>
<td>155,389</td>
</tr>
<tr>
<td>Exploration site</td>
<td>-</td>
<td>-</td>
<td>1,035</td>
<td>-</td>
<td>1,035</td>
</tr>
<tr>
<td>Geochemical</td>
<td>-</td>
<td>5,345</td>
<td>-</td>
<td>-</td>
<td>5,345</td>
</tr>
<tr>
<td>Geological</td>
<td>-</td>
<td>17,634</td>
<td>9,127</td>
<td>-</td>
<td>26,761</td>
</tr>
<tr>
<td>Geophysical</td>
<td>-</td>
<td>-</td>
<td>5,345</td>
<td>-</td>
<td>5,345</td>
</tr>
<tr>
<td>Permitting</td>
<td>-</td>
<td>19,288</td>
<td>-</td>
<td>-</td>
<td>19,288</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>244,859</td>
<td>15,507</td>
<td>1,231</td>
<td>261,597</td>
</tr>
<tr>
<td><strong>Acquisition costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining rights</td>
<td>6,599</td>
<td>8,583</td>
<td>-</td>
<td>-</td>
<td>17,472</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>(29,159)</td>
<td>-</td>
<td>-</td>
<td>(92,577)</td>
<td>(121,736)</td>
</tr>
<tr>
<td><strong>Balance at October 31, 2018</strong></td>
<td></td>
<td>18,803</td>
<td>15,736,406</td>
<td>407,030</td>
<td>-</td>
</tr>
<tr>
<td><strong>Exploration costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geological</td>
<td>-</td>
<td>23,258</td>
<td>1,297</td>
<td>-</td>
<td>24,555</td>
</tr>
<tr>
<td>Permitting</td>
<td>-</td>
<td>29,564</td>
<td>-</td>
<td>-</td>
<td>29,564</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>52,822</td>
<td>1,297</td>
<td>-</td>
<td>54,119</td>
</tr>
<tr>
<td><strong>Acquisition costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining rights</td>
<td>1,972</td>
<td>9,437</td>
<td>4,942</td>
<td>-</td>
<td>16,351</td>
</tr>
<tr>
<td>Recovery</td>
<td>(5,988)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,988)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(4,016)</td>
<td>9,437</td>
<td>4,942</td>
<td>-</td>
<td>10,363</td>
</tr>
<tr>
<td><strong>Balance at October 31, 2019</strong></td>
<td></td>
<td>14,787</td>
<td>15,798,665</td>
<td>413,269</td>
<td>-</td>
</tr>
</tbody>
</table>

(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.
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 extension application of an exploration license and a mining lease re-application, located in south-central Sweden. The exploration license and the mining lease applications 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.

(c) Bergby

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

(d) Other Properties

(i) 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.

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.
4. Exploration and Evaluation Assets (continued)

(ii) During fiscal 2018 the Company recorded an impairment charge of $121,736 on the relinquishment of claims in Sweden and Finland.

5. Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Cost</th>
<th>Vehicles</th>
<th>Equipment and Tools</th>
<th>Building</th>
<th>Manufacturing and Processing Facility</th>
<th>Mineral Property Acquisition and Development Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 2017</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>9,487,156</td>
<td>17,767,338</td>
</tr>
<tr>
<td>Adjustment to site restoration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(42,742)</td>
<td>(42,742)</td>
</tr>
<tr>
<td>Balance at October 31, 2018</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>9,444,414</td>
<td>17,724,596</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,917</td>
<td>4,917</td>
</tr>
<tr>
<td>Adjustment to site restoration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(613,692)</td>
<td>(613,692)</td>
</tr>
<tr>
<td>Balance at October 31, 2019</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>8,835,639</td>
<td>17,115,821</td>
</tr>
</tbody>
</table>

Accumulated Depreciation and Impairment:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Vehicles</th>
<th>Equipment and Tools</th>
<th>Building</th>
<th>Manufacturing and Processing Facility</th>
<th>Mineral Property Acquisition and Development Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 2017</td>
<td>(53,451)</td>
<td>(248,224)</td>
<td>(49,484)</td>
<td>(110,218)</td>
<td>-</td>
<td>(461,377)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(6,720)</td>
<td>(8,079)</td>
<td>(22,013)</td>
<td>-</td>
<td>-</td>
<td>(36,812)</td>
</tr>
<tr>
<td>Balance at October 31, 2018</td>
<td>(60,171)</td>
<td>(256,303)</td>
<td>(71,497)</td>
<td>(110,218)</td>
<td>-</td>
<td>(498,189)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(6,718)</td>
<td>(3,969)</td>
<td>(22,009)</td>
<td>-</td>
<td>-</td>
<td>(32,696)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,800,000)</td>
<td>(5,000,000)</td>
<td>(8,800,000)</td>
</tr>
<tr>
<td>Balance at October 31, 2019</td>
<td>(66,889)</td>
<td>(260,272)</td>
<td>(93,506)</td>
<td>(3,910,218)</td>
<td>(5,000,000)</td>
<td>(9,330,885)</td>
</tr>
</tbody>
</table>

Carrying Value:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Vehicles</th>
<th>Equipment and Tools</th>
<th>Building</th>
<th>Manufacturing and Processing Facility</th>
<th>Mineral Property Acquisition and Development Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 2018</td>
<td>20,976</td>
<td>30,715</td>
<td>272,642</td>
<td>7,457,660</td>
<td>9,444,414</td>
<td>17,226,407</td>
</tr>
<tr>
<td>Balance at October 31, 2019</td>
<td>14,258</td>
<td>26,746</td>
<td>250,633</td>
<td>3,657,660</td>
<td>3,835,639</td>
<td>7,784,936</td>
</tr>
</tbody>
</table>

During fiscal 2014 technical feasibility and commercial viability of the extraction of mineral resources at the Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Upon the transition, costs on the exploration and evaluation assets attributed to the mine were reclassified to property, plant and equipment. On August 1, 2015 the refurbishment and commissioning of the Woxna Graphite Mine was completed.

During fiscal 2019 management assessed whether there were any indications of impairment of the Company’s property, plant and equipment as required by IAS 36. In light of the continued suspension of the operations of the Woxna Graphite Mine, large net loss and the low trading value of the Company’s common shares, management concluded there were indications of impairment.

As at October 31, 2019 the Company has recognized $536,184 (2018 - $578,012) for the Property Acquisition Obligation associated with the Kringelgruven concession, as described in Note 4(a)(i).
5. **Property, Plant and Equipment** (continued)

When indications of impairment are determined to be present, IAS 36 requires the Company to estimate the recoverable amount of the Company’s property, plant and equipment. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a value in use method that takes into account the Company’s financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of $8,800,000 was appropriate in fiscal 2019.

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 0.0% (2018 - 0.67%) and an inflation factor of 1.5% (2018 - 2.1%). 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:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at October 31, 2017</strong></td>
<td></td>
</tr>
<tr>
<td>Accretion</td>
<td>59,529</td>
</tr>
<tr>
<td>Revision of estimates</td>
<td>444,415</td>
</tr>
<tr>
<td>Foreign exchange adjustment</td>
<td>(487,157)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,711,413</td>
</tr>
<tr>
<td><strong>Balance at October 31, 2018</strong></td>
<td></td>
</tr>
<tr>
<td>Accretion</td>
<td>50,632</td>
</tr>
<tr>
<td>Revision of estimates</td>
<td>(54,637)</td>
</tr>
<tr>
<td>Foreign exchange adjustment</td>
<td>(559,055)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,728,200</td>
</tr>
<tr>
<td><strong>Balance at October 31, 2019</strong></td>
<td></td>
</tr>
<tr>
<td>Accretion</td>
<td>50,632</td>
</tr>
<tr>
<td>Revision of estimates</td>
<td>(54,637)</td>
</tr>
<tr>
<td>Foreign exchange adjustment</td>
<td>(559,055)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,165,140</td>
</tr>
</tbody>
</table>

As at October 31, 2019 reclamation deposits of $97,740 (SEK 729,153) 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, 2019 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

7. **Share Capital**

(a) **Authorized Share Capital**

The Company’s authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.
7. Share Capital (continued)

(b) Equity Financings

Fiscal 2019

On November 21, 2018 the Company completed a private placement financing of 6,027,855 units at a price of $0.28 per unit for gross proceeds of $1,687,799. 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. The Company paid finders’ fees of $6,384 cash.

The Company incurred $30,635 legal and filing costs associated with this private placement.

At October 31, 2018 the Company had received $410,000 on account of the private placement and incurred $4,797 share issue costs.

Fiscal 2018

No equity financing was conducted by the Company during fiscal 2018.

(c) Warrants

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at October 31, 2019 and 2018 and the changes for the years ended on those dates is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Weighted Average Exercise Price</td>
</tr>
<tr>
<td>Balance beginning of year</td>
<td>7,736,740</td>
<td>0.75</td>
</tr>
<tr>
<td>Issued</td>
<td>6,027,855</td>
<td>0.37</td>
</tr>
<tr>
<td>Balance end of year</td>
<td>13,764,595</td>
<td>0.58</td>
</tr>
</tbody>
</table>

The following table summarizes information about the number of common shares reserved pursuant to the Company’s warrants outstanding and exercisable at October 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Exercise Price</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,010,376</td>
<td>0.70</td>
<td>December 14, 2019*</td>
</tr>
<tr>
<td></td>
<td>3,726,364</td>
<td>0.80</td>
<td>May 3, 2020</td>
</tr>
<tr>
<td></td>
<td>6,027,855</td>
<td>0.37</td>
<td>November 21, 2021</td>
</tr>
</tbody>
</table>

13,764,595

* Expired without exercise.

(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.
7. Share Capital (continued)

During fiscal 2019 the Company granted share options to purchase 2,543,109 (2018 - 2,867,500) common shares and recorded compensation expense of $239,773 (2018 - $1,216,525).

The fair value of share options granted was estimated using the Black-Scholes option pricing model using the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.47% - 1.89%</td>
<td>1.65% - 2.24%</td>
</tr>
<tr>
<td>Estimated volatility</td>
<td>84% - 161%</td>
<td>85% - 87%</td>
</tr>
<tr>
<td>Expected life</td>
<td>1 year - 5 years</td>
<td>5 years</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Estimated forfeiture rate</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The weighted average grant date fair value of all share options granted, using the Black-Scholes option pricing model, during fiscal 2019 was $0.09 (2018 - $ 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.

A summary of the Company’s share options at October 31, 2019 and 2018 and the changes for the years ended on those dates is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>8,575,000</td>
<td>6,152,500</td>
</tr>
<tr>
<td>Weighted Average Exercise Price $</td>
<td>0.47</td>
<td>0.39</td>
</tr>
<tr>
<td>Issued</td>
<td>2,543,109</td>
<td>2,867,500</td>
</tr>
<tr>
<td>Expected</td>
<td>(150,000)</td>
<td>(400,000)</td>
</tr>
<tr>
<td>Expired</td>
<td>(2,165,000)</td>
<td>(45,000)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,640,000)</td>
<td>-</td>
</tr>
<tr>
<td>Balance end of year</td>
<td>7,163,109</td>
<td>8,575,000</td>
</tr>
<tr>
<td>Weighted Average Exercise Price $</td>
<td>0.44</td>
<td>0.47</td>
</tr>
</tbody>
</table>

The following table summarizes information about the share options outstanding and exercisable at October 31, 2019:

<table>
<thead>
<tr>
<th>Number</th>
<th>Exercise Price $</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,520,000</td>
<td>0.39</td>
<td>October 14, 2021</td>
</tr>
<tr>
<td>143,109</td>
<td>0.165</td>
<td>January 11, 2022</td>
</tr>
<tr>
<td>1,050,000</td>
<td>0.225</td>
<td>May 30, 2022</td>
</tr>
<tr>
<td>2,300,000</td>
<td>0.64</td>
<td>November 2, 2022</td>
</tr>
<tr>
<td>150,000</td>
<td>0.33</td>
<td>August 14, 2023</td>
</tr>
</tbody>
</table>

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.
8. Related Party Disclosures (continued)

(a) During fiscal 2019 and 2018 the following compensation was incurred:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors and officers compensation (current and former)</td>
<td>483,998</td>
<td>443,652</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>84,000</td>
<td>892,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>567,998</strong></td>
<td><strong>1,335,902</strong></td>
</tr>
</tbody>
</table>

As at October 31, 2019, $91,500 (2018 - $31,500) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2018 certain current and former officers and directors of the Company agreed to forgive $63,000 of professional fees which had been incurred in prior years.

(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 2019 the Company incurred $53,100 (2018 - $56,500) for services provided by Chase personnel, exclusive of the CFO, and $4,020 (2018 - $4,020) for rent. As at October 31, 2019, $335 (2018 - $4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

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

9. Income Taxes

Deferred income tax assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets (liabilities):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses carried forward</td>
<td>8,942,700</td>
<td>8,656,600</td>
</tr>
<tr>
<td>Other</td>
<td>13,300</td>
<td>7,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,956,000</strong></td>
<td><strong>8,664,400</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(8,956,000)</td>
<td>(8,664,400)</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax rate reconciliation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined federal and provincial income tax rate</td>
<td>27.0%</td>
<td>26.83%</td>
</tr>
<tr>
<td>Expected income tax recovery</td>
<td>3,001,700</td>
<td>1,176,800</td>
</tr>
<tr>
<td>Foreign income tax rate difference</td>
<td>(51,300)</td>
<td>(65,400)</td>
</tr>
<tr>
<td>Non-deductible share-based compensation</td>
<td>(64,700)</td>
<td>(326,400)</td>
</tr>
<tr>
<td>Other</td>
<td>4,000</td>
<td>600</td>
</tr>
<tr>
<td>Unrecognized benefit of income tax losses</td>
<td>(2,889,700)</td>
<td>(785,600)</td>
</tr>
<tr>
<td>Actual income tax recovery</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
9. Income Taxes (continued)

As at October 31, 2019 the Company has non-capital losses of approximately $22,599,300 (2018 - $21,320,312) and cumulative pools of approximately $49,100 (2018 - $29,100) for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2023 through 2039. The Company’s subsidiaries have losses for income tax purposes of approximately $12,937,600 (2018 - $13,185,600) which may be carried forward indefinitely.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Category</th>
<th>October 31, 2019</th>
<th>October 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>FVTPL</td>
<td>395,609</td>
<td>1,184,420</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>amortized cost</td>
<td>282</td>
<td>658</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>amortized cost</td>
<td>97,740</td>
<td>105,540</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>amortized cost</td>
<td>(583,159)</td>
<td>(615,756)</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>amortized cost</td>
<td>(536,184)</td>
<td>(578,012)</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

Credit Risk

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

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.

<table>
<thead>
<tr>
<th>Contractual Maturity Analysis at October 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Amount</td>
</tr>
<tr>
<td>$</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Amounts receivable</td>
</tr>
<tr>
<td>Reclamation deposit</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
</tr>
</tbody>
</table>

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, 2019, 1 Canadian Dollar was equal to SEK 7.46. Balances are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SEK</th>
<th>CDN $ Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>572,667</td>
<td>76,765</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>96,239</td>
<td>12,901</td>
</tr>
<tr>
<td>Inventories</td>
<td>624,948</td>
<td>83,772</td>
</tr>
<tr>
<td>Plant stores and supplies</td>
<td>645,095</td>
<td>86,472</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>729,153</td>
<td>97,740</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(1,098,144)</td>
<td>(147,204)</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>(4,000,000)</td>
<td>(536,184)</td>
</tr>
<tr>
<td></td>
<td>(2,430,042)</td>
<td>(325,738)</td>
</tr>
</tbody>
</table>

Based on the net exposures as of October 31, 2019 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 $32,500 higher or lower.
10. Financial Instruments and Risk Management (continued)

Capital Management

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

11. Supplemental Cash Flow Information

During fiscal 2019 and 2018 non-cash activities were conducted by the Company as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for site restoration</td>
<td>(613,692)</td>
<td>(42,742)</td>
</tr>
<tr>
<td>Investing activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revisions of estimates on property, plant and equipment</td>
<td>613,692</td>
<td>42,742</td>
</tr>
<tr>
<td>Financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares</td>
<td>423,500</td>
<td>108,000</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>(4,797)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred share issue costs</td>
<td>4,797</td>
<td>-</td>
</tr>
<tr>
<td>Share subscriptions</td>
<td>(410,000)</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payments reserve</td>
<td>(13,500)</td>
<td>(108,000)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>As at October 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate Canada</td>
</tr>
<tr>
<td>Current assets</td>
<td>407,123</td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>407,123</td>
</tr>
</tbody>
</table>
12. **Segmented Information** (continued)

<table>
<thead>
<tr>
<th></th>
<th>Corporate Canada $</th>
<th>Mineral Operations Sweden $</th>
<th>Mineral Operations Finland $</th>
<th>Mineral Operations Romania $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>1,223,596</td>
<td>340,221</td>
<td>4,840</td>
<td>7,806</td>
<td>1,576,463</td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>-</td>
<td>16,162,239</td>
<td>-</td>
<td>-</td>
<td>16,162,239</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>17,226,407</td>
<td>-</td>
<td>-</td>
<td>17,226,407</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>-</td>
<td>105,540</td>
<td>-</td>
<td>-</td>
<td>105,540</td>
</tr>
<tr>
<td>Deferred costs</td>
<td>4,797</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,797</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,228,393</td>
<td>33,834,407</td>
<td>4,840</td>
<td>7,806</td>
<td>35,075,446</td>
</tr>
</tbody>
</table>

13. **Events after the Reporting Period**

(a) On December 30, 2019 the Company completed a non-brokered private placement of 18 million units at a price of $0.056 cents per unit for aggregate gross proceeds of $1,008,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share expiring December 30, 2023.

(b) See also Note 7(c).
This discussion and analysis of financial position and results of operation is prepared as at January 21, 2020 and should be read in conjunction with the audited consolidated financial statements for the years ended October 31, 2019 and 2018 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 the discovery and 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) and high strength permanent magnets (rare earth elements including neodymium and dysprosium). 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 a fast moving sector, Leading Edge Materials is ideally placed to play a pivotal role in the sustainable supply of technology critical materials.

**Officers and Directors**

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

- **Mark Saxon** - Director, Interim Chief Executive Officer ("CEO") & President
- **Mike Hudson** - Director, Non-Executive Chairman
- **Filip Kozlowski** - Director
- **Nick DeMare** - Chief Financial Officer ("CFO") and Corporate Secretary

**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 “LEMF” 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.

**Update on Developments in the European Battery Industry**

Lithium-ion battery and electric vehicle ("EV") markets are showing very rapid potential growth through the aligned interests of battery manufacturers, the automotive industry and the European Commission. Industry news during the reporting period has continued to be very positive for future battery raw material demand, with Europe cementing a leading position.

The world’s largest light vehicle manufacturer Volkswagen AG have expressed in their “Strategy 2025” the ambition to offer more than 50 EV models by 2025. The planned roll out shall consume at least 150 GWh of annual battery capacity, equivalent to six of Tesla’s Nevada giga-factories. Volkswagen commitments include expenditure of €60 billion over the next 5 years to both research and manufacturing of electric vehicles.

As one of numerous battery supply solutions, Volkswagen AG and Swedish battery manufacturer Northvolt AB recently announced a 50/50 joint venture to build a lithium-ion battery factory in Salzgitter, Germany. Start of production is planned for the end of 2023 with an initial annual output of 16 GWh.

Daimler’s “Ambition 2039” statement outlined the aim to have plug-in hybrids or EVs comprise more than 50% of its car sales by 2030. In line with this aim, Daimler announced a partnership with Farasis Energy, a Chinese developer and supplier of lithium-ion battery technologies, to build batteries in Germany. A site for this manufacturing is yet to be announced, however the factory is planned to be carbon neutral.

Daimler has also signed battery purchase agreements with Contemporary Amperex Technology Limited (“CATL”), another Chinese industry leader. CATL is underway with construction of a battery factory in Erfurt, with production planned for 2022.

In November 2019, Tesla made a long-awaited announcement also confirming Germany as the site for their first European battery and vehicle factory. A location near Berlin was chosen, where €4 billion will be invested and first production from phase 1 scheduled for late 2021.
Such developments are on top of existing commitments by Northvolt who have received €886 million funding from the Volkswagen Group, Goldman Sachs, BMW Group, AMF, Folksam Group and IMAS Foundation. Strength of the market is confirmed by Northvolt reporting €13 billion in battery pre-sales through to 2030. First production from Stage 1 of the “Northvolt Ett” factory in Skellefteå, Sweden is planned for 2021, with Northvolt aiming to build the world’s greenest battery cell with a minimal carbon footprint and a high proportion of locally sourced materials. Based on typical industry figures, the Stage 1 facility will require between 14,000 and 18,000 tonnes of blended natural and synthetic graphite anode per year.

The European Commission forecasts 400 GWh of annual battery demand in Europe by 2025, with a market value of approximately €400 billion. The European Commission’s Vice President for the Energy Union, Maroš Šefčovič continues to express the urgency for a secure, transparent and integrated European battery materials supply chain that combines domestic mined materials, recycled materials and imports.

After a recent EU Battery Alliance meeting, Mr Šefčovič stated: “We must also show that we mean business when filling the remaining gaps in the value chain, notably mining and refining. EU companies need to be better supported to invest in sustainable mining and refining of raw materials - both in EU and third countries. We plan to launch a European Raw materials investment facility with the EBRD and the EIB - hopefully at the end of the year.”

And even more succinctly, Mr Šefčovič was quoted in November 2019 discussing the importance of establishing a full European battery value chain: “I really think that, when it comes to the issue of dependency, we could end up in a situation where raw materials become the new oil. We have to be very vigilant that today’s dependency on fossil fuels like oil and gas is not replaced by dependency on lithium, cobalt, copper and other raw materials that we need for the green transition, where Europe is leading the way.”

Leading Edge Materials remains an active core member of the EU Battery Alliance and is working hard to provide critical raw material supply opportunities for Europe.

**Achievements**

Work undertaken by Leading Edge Materials during the fiscal year 2019 was in line with the Board’s aims to benefit from the roll out of transport electrification in Europe. In particular, the Company has maintained its investment focus on the Woxna graphite mine in Sweden, with a view to readying the site for the supply of battery anode materials to the European market.

From January to May 2019, two members of the Leading Edge Materials Board of Directors undertook a strategic review (the “Strategic Review”) to identify, examine and consider all potential opportunities towards enhancing shareholder value and enable the Company to accelerate customer engagement in the rapidly developing European battery materials industry.

The Strategic Review provided various structural recommendations and highlighted that the Company’s combination of discovery-stage and development-stage assets present different requirements with regard to operational structure, capital needs and investor preferences. In response, the Board resolved to initiate the transition of its Swedish subsidiary Woxna Graphite AB into a freestanding company, with the capacity to take funding from parties in addition to Leading Edge Materials. A freestanding structure for Woxna Graphite AB is anticipated to allow more effective execution upon a high value graphite materials business plan. Furthermore, it is anticipated that Woxna Graphite AB will be in a stronger position to benefit from Swedish and European public funding opportunities that are developing in the battery materials sector.

The optimal path for direct funding opportunities has been evaluated during the 2019 fiscal year and the Company is continuing these investigations. The Board will communicate developments in this regard should they progress. In the event of direct funding being successful, the Board emphasizes that Leading Edge Materials will continue to hold significant exposure to the success of the Woxna graphite mine as a future graphite materials supplier.

The Board is continuing to execute on other assets within the Company’s portfolio in the Nordic region and Romania, including supporting mine lease permitting for the Norra Kärr rare earth element project while identifying project improvements that reduce the environmental footprint; and progressing the Romanian exploration alliance towards exploration licence granting at Bihor Sud.
**Woxna Graphite Mine and Production Facility**

The Woxna graphite mine and production facility is comprised of four graphite deposits, an open pit mine, a fully permitted 100,000 ton per annum processing plant and tailings dam, located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The principal property is the Kringelgruvan concession, where permission to mine remains current until 2041.

It is noteworthy that the Woxna mine and processing facility is currently held on a production ready basis and includes full time staff to ensure all permit conditions are met.

At Woxna, the Company is focused on optimization of the processes required to convert low value graphite into high value finished products including lithium-ion battery-ready anode material, followed by qualification of products and processes with various European battery customers.

A key component of this strategy, subject to finance, is the installation of an onsite value-add demonstration plant to produce large volumes of battery-ready graphite anode from flotation product. This demonstration plant will allow strengthened engagement with potential battery 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 including expandable and micronized graphite, allow market development for all materials produced at Woxna, and optimize technical and economic steps to progress to commercial anode production.

During fiscal year 2019, an engineering study (the “Study”) was completed by a leading global engineering firm to support the installation and commissioning of a value-add demonstration plant. Data from the extensive purification and spheroidisation test work completed by the Company over past years allowed equipment selection and engineering to for future on-site installation and operation. The Study provides design, installation and cost estimate criteria for a spheroidisation and thermal purification process that can deliver approximately 100kg per day of high purity natural graphite anode suitable for lithium ion batteries.

The thermal purification process is designed with a high degree of flexibility. 2018 test work by Leading Edge Materials has produced ultra-high purity graphite up to 99.998% carbon and the process flexibility will allow purity to be tailored to customers’ performance and price requirements. Spheroidisation test work produced D50 size ranges from 15-25 micron with D10 ranges of 7-12 micron and D90 from 28-35 micron. These ranges meet specifications provided by potential customers and are consistent with anode materials used by all current lithium ion battery manufacturers.

Thermal purification removes the need to transport, handle and dispose of the toxic chemicals often used for commercial natural graphite purification. Today, 100% of natural graphite anode is manufactured in China using chemical leaching which emits waste streams for treatment or disposal. In contrast, the thermal purification process designed for the Woxna demonstration plant requires no chemicals, instead using elevated temperature to remove impurities.

A purification furnace operated by Leading Edge Materials in Sweden will use cost competitive Swedish hydroelectric power. The resulting graphite anode will have a very low carbon dioxide footprint which is anticipated to be attractive to European customers.

The demonstration plant costing incorporates equipment manufacturer quotations, and is designed to be installed on the Leading Edge Materials Woxna mine site, where space, adequate power, skilled personnel and waste management facilities are already in place. Leading Edge Materials has received written confirmation from the Gävleborg Länsstyrelsen (“County Administration Board”) that based on the engineered design, the demonstration will conform with current site permits.

Very coarse and very fine flake graphite is not suitable for lithium ion battery applications and may find high value applications in other markets. During the 2019 fiscal year, research was completed using coarser flake material from the Woxna mine to manufacture expandable graphite. Research was completed in Germany with leading consultancy ProGraphite GmbH. ProGraphite used run-of-mine +80 mesh (>180 micron) graphite to test a range of standard process variables and demonstrated that a combination of sulphuric acid and potassium permanganate delivered optimal results, expanding up to 215 ml/g (480 times) when heated to 1000°C.
This degree of expansion is in line with expandable graphite products available in the market today. Additional process optimization and product improvement is anticipated through further research. The methods tested did not require the use of toxic chromium, lead, or bromine-bearing chemicals that are used in the manufacture of some Chinese expandable graphite.

Expandable natural graphite is a critical industrial material, with a significant and growing market. Current market size is estimated to be 70,000 to 80,000 tonnes per year, with approximately 45% of demand coming from manufacture of fire-resistant materials. Other market segments include flexible foils, conductivity additives, and a small volume as a graphene manufacturing pre-cursor. Pricing of expandable graphite is based on flake size, expansion ratio and purity, and lies in the range of US $2000 - US $4000 per tonne. Of note, the purity requirements for expandable graphite are substantially lower than battery materials. Leading Edge Materials is now preparing for follow up test work with increased sample size to optimize process conditions and material economics.

Value add applications for fine flake material, of a size below that currently used by the battery anode industry, is now being reviewed. Of most potential appears to be micronized graphite that is in demand for various metallurgical, paint and casting applications.

The Company maintains the Woxna processing plant in an operation ready status and can be run on an as needed basis. Leading Edge Materials is positioning Woxna as the supplier of choice in terms of price, supply security, sustainability 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.

**Technical Report**

In 2014, Leading Edge Materials 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 Kringelgruven (“Kringelgruven”), Gropabo (“Gropabo”), Mattsmyra (“Mattsmyra”) and Månsberg (“Månsberg”) graphite deposits that form part of the Company’s 100% owned Woxna graphite assets. 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**

Leading Edge Materials’ four graphite deposits (Kringelgruven, Gropabo, Mattsmyra and Månsberg) located along a 40km trend in central Sweden, and are each held on Mining Leases. The partially mined Kringelgruven deposit lies adjacent to the processing plant, tailings dam and related infrastructure.

<table>
<thead>
<tr>
<th>Mining Lease</th>
<th>Classification</th>
<th>Tonnes x 1,000,000 (Mt)</th>
<th>Graphite (“Cg”) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gropabo</td>
<td>Indicated</td>
<td>1.5</td>
<td>8.8</td>
</tr>
<tr>
<td>Mattsmyra</td>
<td>Indicated</td>
<td>3.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Kringelgruven*</td>
<td>Measured</td>
<td>1.0</td>
<td>10.7</td>
</tr>
<tr>
<td>Kringelgruven*</td>
<td>Indicated</td>
<td>1.8</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>Measured + Indicated</strong></td>
<td><strong>7.7</strong></td>
<td><strong>9.3</strong></td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Mining Lease</th>
<th>Classification</th>
<th>Tonnes (Mt)</th>
<th>Cg %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gropabo</td>
<td>Inferred</td>
<td>0.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Mattsmyra</td>
<td>Inferred</td>
<td>1.2</td>
<td>8.4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Inferred</td>
<td>1.9</td>
<td>8.5</td>
</tr>
</tbody>
</table>

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 in 2014 was not based on a feasibility study of mineral reserves demonstrating economic and technical viability as the Company was of the view that the establishment of mineral reserves was 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 of the extraction of mineral resources at the Woxna graphite mine was demonstrated, transitioning Leading Edge Materials 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 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 Woxna graphite mine is not currently operating and will not commence meaningful production until market conditions warrant. The Company is pursuing opportunities to produce higher value specialty products including high purity graphite for lithium ion batteries.

The Company’s Board of Directors formed the view that the costs of undertaking a feasibility study for a brownfield project of this type and scale was cost prohibitive. Therefore, the Company determined the most responsible utilization of financial resources was to restart the mine and processing plant to establish itself in the graphite market as quickly as possible. The Company acknowledges an increased uncertainty and risk of economic and technical failure associated with 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 was concluded that the risk of restarting the plant was manageable, demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost. Although prices for some graphite products 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.
Impairment of Property, Plant and Equipment

Management is required to annually assess impairment in respect of property, plant and equipment, where 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 which relate to the property, plant and equipment. In fiscal 2019 Leading Edge Materials management determined that impairment indicators were present, as defined in IAS 36, for property, plant and equipment and, as a result an impairment test was performed.

The valuation of the Woxna site incorporates the substantial property, plant and equipment that enables processing of 100,000 tonnes per year of graphite bearing ore and the production of approximately 10,000 tonnes per year of graphite concentrate. The process plant lies adjacent to mineral resources on the Kringelgruvan mining lease that allow for more than 10 years of mining at the current build specifications. The site is permitted to operate until 2041.

While there are no physical indications that the state of the property, plant and equipment at the Woxna site has declined, the Woxna mine has not operated since 2015 when a decision was taken by the Board to suspend mining on the basis of low flake graphite prices. Although flake graphite prices have now stabilized, the market is not sufficiently positive for the Board to propose re-opening in the short to medium term without substantial investment in research and capital items to allow value-add graphite products to be manufactured.

In light of the continued suspension of the operations of the Woxna Graphite Mine, large net loss, the additional capital investment to achieve profitable production and the low trading value of the Company’s common shares, management concluded there were indications of impairment. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a value in use method that takes into account the Company’s financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of $8,800,000 was appropriate in fiscal 2019 for the carrying value of the Woxna graphite mine and Kringelgruvan mining lease.

Bihor Sud Cobalt Nickel Project

In 2018 Leading Edge Materials initiated an Exploration Alliance (the “Exploration Alliance”) in Romania focused on the discovery and development of lithium ion battery raw materials. The Exploration Alliance has principally been directed towards cobalt mineralization within the Upper Cretaceous Carpathian magmatic belt of the Balkan region, with an eye to identifying other opportunities. The Carpathian is a well mineralized intrusive arc that extends from Western Turkey to Hungary, forming the western end of the Tethyan Metallocenic Belt.

Following technical and commercial due diligence, Leading Edge Materials established a local branch company (“LEM Romania”) of which it is the majority shareholder with the right to earn a 90% interest. During 2018 and early 2019, LEM Romania completed various prospecting, sampling and geological activity across an area of 25.5 sq km (2,550 ha) pertaining to the Bihor Sud Prospecting Permit in central western Romania.

Results from the Bihor Sud Prospecting Permit were considered encouraging, and consequently LEM Romania submitted a request that the Romanian Mining Inspectorate (“Agenția Națională pentru Resurse Minerale”) publish an Exploration License tender across the prospective areas. Publication of the request for tenders for the Bihor Sud Exploration License occurred during August 2019 and a tender was submitted by LEM Romania in October 2019.

The LEM Romania tender document was declared as compliant by the Romanian Mining Inspectorate and has progressed to further evaluation. The Company was been notified that one other application was received under the competitive tender process. The tender is adjudicated on the basis of technical and financial merit, with substantial credit given to the work completed under the prior Prospecting Permit. Leading Edge Materials, via its subsidiary is the only company to have held a Prospecting Permit over the entire Exploration License application area.

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 (“EL”) granted August 31, 2009. On March 19, 2018 the Company was advised by Swedish Mines
Inspectorate (“Bergsstaten”) that the EL had been extended until August 31, 2019. During August 2019, an application to extend the EL for an additional 3 years was submitted to the Bergsstaten.

Process development testwork and other activity at Norra Kärr remains restricted while permitting of a Mining Lease is resolved.

Norra Kärr is highly significant within Europe and can deliver a secure long-term source of rare earth elements (“REE”), zirconium, hafnium and niobium to European renewable energy and electric vehicle industries. The Norra Kärr REE deposit was first discovered and drill tested by Leading Edge Materials (then Tasman Metals Ltd.) in 2009. Following thick intersections of mineralized rock, the project progressed quickly through drill out, metallurgical testing, resource calculation, Preliminary Economic Assessment (“PEA”), environmental and social studies, and Mining Lease application, culminating in a Pre-Feasibility Study (“PFS”) completed in 2015. Relevant supporting documentation can be found on the Company’s website.

Norra Kärr is a peralkaline nepheline syenite intrusion which covers 450m x 1,500m in area. The deepest extents of the REE mineralized intrusion have not been delineated but exceed 350m. Mineralogical studies show nearly all REE in the deposit is found within the mineral eudialyte, which is enriched in heavy REEs, in particular dysprosium.

Due to the unique status of Norra Kärr, being one of only two NI43-101 REE resources on mainland Europe, the project was identified as potentially significant for European REE security (“ERECON study”), and well supported by European Commission funding for process research (Horizon2020 funded EURARE study). Subsequent to the publication of the PFS, research by EURARE identified an optimized flowsheet for eudialyte processing, and produced 25kg of REE oxalate from Norra Kärr mineral concentrates. Furthermore, a by-product of high purity nepheline/feldspar was produced which is believed suitable for European ceramic and glass markets.

**Mining Lease**

A mining lease for Norra Kärr, is presently under reapplication with the Bergsstaten following a decision 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 Bergsstaten to reassess four granted Mining Leases. This review included the Company’s Norra Kärr Mining Lease. The Company continues to hold exclusive rights to the Norra Kärr project throughout the Mining Lease application process.

The Bergsstaten requested additional information from Leading Edge Materials to complete their reassessment. 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.

Subsequently, discussions were held with the Bergsstaten and this additional information was submitted in December 2018. On March 8, 2019, Länsstyrelsen submitted their opinion that more information is required for them to support re-granting of the Norra Kärr Mining Lease. Leading Edge Materials reviewed the comments of the Länsstyrelsen, and has initiated a Natura2000 permit application on Natura2000 areas in the Norra Kärr region which may be influenced by a future mining operation.

The environmental data to support the Natura2000 permit application has largely been collected by the Company as part of previous work conducted including during the PFS study. During the fiscal year, a summary of the Natura2000 assessment was submitted to the Länsstyrelsen for review and public comment. Additional meetings with the Länsstyrelsen are planned to ensure the work of Leading Edge Materials is in line with the agencies expectations.

To grant a Mining Lease in Sweden, conditions include that the Bergsstaten and Länsstyrelsen must be in agreement. In the circumstance that the Bergsstaten and Länsstyrelsen have contrasting opinions, the decision is referred to the Regeringen (“Swedish Government”) for adjudication. For reference, when the Norra Kärr Mining Lease was granted in 2013, the Bergsstaten and Länsstyrelsen were aligned in support of the Mining Lease granting, and referral to the Regeringen was not required.
**Previous Process Development**

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. A total of 121 exploration holes have been completed since work began in 2009, typically on 50m sections.

Previous process development research on Norra Kärr achieved significant technical milestones. Hydrometallurgical research targeted optimized REE extraction from eudialyte, and 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 the Geological Survey of Finland ("GTK") undertook test work on a bulk sample originally collected under the EURARE Horizon 2020 project. 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. PFS conclusions are supported by very extensive drilling, sampling, process test work 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](http://www.sedar.com), under Tasman’s SEDAR profile, or the Company’s website at [www.leadingedgematerials.com](http://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.

**Bergby Lithium Project**

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

Bergby has been tested by a total of 33 drill holes to a maximum depth of 131.1m over an approximate 1500m strike length. Mineralization drilled to date lies very close to surface, and extends from the outcrop beneath thin glacial soil cover. Intersections often include elevated levels of tantalum.

Leading Edge Materials, through its Swedish subsidiary Woxna Graphite AB, is a project member of the EIT Raw Materials’ LiRef project. The project is validating two conversion processes with the target to develop one robust and flexible process transforming spodumene concentrate into battery grade lithium chemical. It aims to foster the development of a sustainable European value chain. The partners include four mining companies (Savannah Resources, Leading Edge, Keliber and Europena Lithium) as well as Aurora Lithium AB, Outotec, FLSmidth, GTK and Luleå University of Technology.

In support of the LiREF project, during the 2019 fiscal year, Leading Edge Materials has provided bulk sample of lithium mineralized drill core for mineralogical characterization and mineral processing test work. On completion of this work, spodumene concentrate will be used as feedstock for lithium chemical manufacturing applying innovative processes.

Additional lithium targets are being reviewed at Bergby and the surrounding areas.

**Qualified Person**

The qualified person for the Company’s project, Mr. Mark Saxon, B.Sc. Hons (Geology), a Fellow of the Australasian Institute of Mining and Metallurgy, the Company’s Interim President and CEO, has reviewed and verified the contents of this document.

**Financial Information**

The report for the quarter ended January 31, 2020 is expected to be published on or about March 27, 2020.

**Selected Financial Data**

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

<table>
<thead>
<tr>
<th></th>
<th>October 31, 2019 $</th>
<th>October 31, 2018 $</th>
<th>October 31, 2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,393,498)</td>
<td>(4,493,336)</td>
<td>(2,772,709)</td>
</tr>
<tr>
<td>Other items</td>
<td>(8,723,909)</td>
<td>107,051</td>
<td>(147,319)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(11,117,407)</td>
<td>(4,386,285)</td>
<td>(2,920,028)</td>
</tr>
<tr>
<td>Basic and diluted loss per share</td>
<td>(0.12)</td>
<td>(0.05)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Results of Operations

Three Months Ended October 31, 2019 Compared to Three Months Ended July 31, 2019

During the three months ended October 31, 2019 (“Q4”) the Company reported a net loss of $9,208,773 compared to a net loss of $534,670 for the prior three months ended July 31, 2019 (“Q3”), for an increase in loss of $8,674,103 primarily attributed to recognition of an impairment provision of $8,800,000 to property, plant and equipment in Q4 to reflect management’s assessment. See also “Woxna Graphite Mine and Production Facility - Impairment of Property, Plant and Equipment”.

Three Months Ended October 31, 2019 Compared to Three Months Ended October 31, 2018

During the three months ended October 31, 2019 (“Q4/2019”) the Company reported a net loss of $9,208,773 compared to a net loss of $1,111,857 for the three months ended October 31, 2018 (“Q4/2018”), for an increase in loss of $8,096,916. The increase in loss is mainly attributed to recognition of an impairment provision of $8,800,000 to property, plant and equipment in Q4/2019.

Year Ended October 31, 2019 Compared to Year Ended October 31, 2018

During the year ended October 31, 2019 (“fiscal 2019”), the Company incurred a net loss of $11,117,407 compared to a loss of $4,386,285 during the year ended October 31, 2018 (“fiscal 2018”), an increase in loss of $6,731,122. The increase in loss is primarily attributed to the recognition of an impairment provision of $8,800,000 to property, plant and equipment in fiscal 2019 partially offset by a $976,752 decrease in share-based compensation from $1,216,525 in fiscal 2018 to $239,773 in fiscal 2019. In addition, excluding share-based compensation, expenses decreased by $1,123,086, from $3,276,811 during fiscal 2018 to $2,153,725 during fiscal 2019.

Specific expenses of note during fiscal 2019 are as follows:

(i) incurred $483,998 (2018 - $443,652) for directors and officers compensation. During fiscal 2019 a $200,000 severance fee was paid to Mr. Way, the Company’s former President and CEO, pursuant to the management contract. See also “Related Party Transactions and Balances”;
(ii) incurred $136,476 (2018 - $278,341) for regulatory fees. During fiscal 2018 the Company incurred significant fees for the application and listing of its common shares on the Nasdaq First North Exchange;
incurred a total of $92,421 (2018 - $102,764) for accounting and administration services of which $53,100 (2018 - $56,500) was for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare, and $39,321 (2018 - $46,164) was for bookkeeping and accounting services provided by an independent accountant in Sweden;

shareholder costs increased by $11,264, from $40,571 during fiscal 2018 to $51,835 during fiscal 2019 for increased costs for news dissemination;

incurred a total of $18,450 (2018 - $215,884) for legal expenses. During fiscal 2018 the Company incurred significant legal fees for the Company’s listing of its common shares on the NASDAQ First North Exchange;

incurred a total of $118,406 (2018 - $48,319) for consulting fees. During fiscal 2019 the Company engaged a number of consultants for administrative and financial services;

recorded research and development expenses of $108,599 (2018 - $185,407) The Company has continued to conduct research and development to optimize and improve the purification process;

incurred general exploration expenses of $95,171 (2018 -$490,322). During fiscal 2018, $316,912 was for exploration work in Romania and $173,410 was recorded as the value of the 385,356 common shares issued under the share purchase agreement on the Bihor Sud Project in Romania; and

incurred $57,137 (2018 - $43,839) for travel expenses. During fiscal 2018, Company personnel visited various mineral exploration properties, attended several investment conferences and reviewed research and development projects on the Woxna Graphite Mine; and

interest income is primarily generated from cash held on deposit with the Bank of Montreal. During fiscal 2019 the Company reported interest income of $21,876 compared to $36,062 during fiscal 2018 due to lower levels of cash held during fiscal 2018. During fiscal 2019 the Company also recorded other income of $35,273 (2018 - $27,646) for receipt of government grants in Sweden for 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

During fiscal 2019 the Company completed a private placement financing of 6,027,855 units at $0.28 per unit for gross proceeds of $1,687,799. The net proceeds from this financing have been designated for general corporate requirements. In addition the Company issued 150,000 common shares on the exercise of share options for $24,000. The net proceeds have been designated for general corporate requirements.

No financings were undertaken during the 2018 period. The Company did, however, issue 400,000 common shares on the exercise of share options for $156,000.

Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Cost:</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Building $</th>
<th>Manufacturing and Processing Facility $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - October 31, 2017</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>17,767,338</td>
</tr>
<tr>
<td>Adjustment to site restoration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(42,742)</td>
</tr>
<tr>
<td>Balance - October 31, 2018</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>17,724,596</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,917</td>
</tr>
<tr>
<td>Adjustment to site restoration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(613,692)</td>
</tr>
<tr>
<td>Balance - October 31, 2019</td>
<td>81,147</td>
<td>287,018</td>
<td>344,139</td>
<td>7,567,878</td>
<td>17,115,821</td>
</tr>
</tbody>
</table>

- 12 -
### Accumulated Depreciation:

<table>
<thead>
<tr>
<th>Period</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Manufacturing and Processing Facility $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>(6,720)</td>
<td>(8,079)</td>
<td>(22,013)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(6,171)</td>
<td>(256,303)</td>
<td>(71,497)</td>
<td>(110,218)</td>
<td>(498,189)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance - Oct 31, 2018</td>
<td>(60,171)</td>
<td>(3,969)</td>
<td>(22,009)</td>
<td>-</td>
<td>(32,696)</td>
</tr>
</tbody>
</table>

### Carrying Value:

<table>
<thead>
<tr>
<th>Period</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Manufacturing and Processing Facility $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>(6,689)</td>
<td>(260,272)</td>
<td>(93,506)</td>
<td>(3,910,218)</td>
<td>(9,330,885)</td>
</tr>
</tbody>
</table>

During fiscal 2019 the Company recorded total additions of $4,917 (2018 - $nil) and recognized a credit adjustment to site restoration of $613,692 (2018 - $42,742) primarily due to the impact of foreign exchange movements on the site restoration provision.

### Exploration and Evaluation Assets

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Graphite Exploration Concessions $</th>
<th>Norra Kärr $</th>
<th>Bergby $</th>
<th>Other $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at Oct 31, 2017</td>
<td>41,363</td>
<td>15,482,964</td>
<td>391,523</td>
<td>89,056</td>
<td>16,004,906</td>
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</table>

### Exploration costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting</td>
<td>-</td>
<td>52,548</td>
<td>-</td>
<td>52,548</td>
</tr>
<tr>
<td>Environmental</td>
<td>-</td>
<td>155,389</td>
<td>-</td>
<td>155,389</td>
</tr>
<tr>
<td>Exploration site</td>
<td>-</td>
<td>1,035</td>
<td>-</td>
<td>1,035</td>
</tr>
<tr>
<td>Geochemical</td>
<td>-</td>
<td>5,345</td>
<td>-</td>
<td>5,345</td>
</tr>
<tr>
<td>Geological</td>
<td>-</td>
<td>9,127</td>
<td>-</td>
<td>9,127</td>
</tr>
<tr>
<td>Geochemical</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,231</td>
</tr>
<tr>
<td>Permitting</td>
<td>-</td>
<td>19,288</td>
<td>-</td>
<td>19,288</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>6,599</td>
<td>8,583</td>
<td>-</td>
<td>2,290</td>
</tr>
</tbody>
</table>

### Impairment

<table>
<thead>
<tr>
<th>Period</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at Oct 31, 2018</td>
<td>18,803</td>
<td>15,736,406</td>
<td>407,030</td>
<td>-</td>
</tr>
</tbody>
</table>

### Exploration costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geological</td>
<td>-</td>
<td>23,258</td>
<td>1,297</td>
<td>24,555</td>
</tr>
<tr>
<td>Permitting</td>
<td>-</td>
<td>29,564</td>
<td>-</td>
<td>29,564</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>1,953</td>
<td>9,437</td>
<td>4,942</td>
<td>16,351</td>
</tr>
</tbody>
</table>

### Impairment

<table>
<thead>
<tr>
<th>Period</th>
<th>Vehicles $</th>
<th>Equipment and Tools $</th>
<th>Buildings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at Oct 31, 2019</td>
<td>14,787</td>
<td>15,798,665</td>
<td>413,269</td>
<td>-</td>
</tr>
</tbody>
</table>

During fiscal 2019 the Company recorded total additions of $64,482 (2018 - $279,069) and recognized impairments of $nil (2018 - $121,736.)
Financial Condition / Capital Resources

During fiscal 2019 the Company recorded a net loss of $11,117,407 and, as at October 31, 2019, the Company had an accumulated deficit of $38,171,731 and working capital of $132,551. 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. The Company anticipates that it will require additional capital to meet anticipated levels of corporate administration and overheads for the ensuing twelve months, to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production. The Company is conducting a strategic review which may result in direct funding of Woxna Graphite AB. There are no assurances that the Company will be successful in obtaining funding. 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.

On December 30, 2019 the Company completed a non-brokered private placement of 18 million units at a price of $0.056 cents per unit for aggregate gross proceeds of $1,008,000. The funds will be used for the Company’s projects, located in Sweden and Romania, and for general working capital and corporate purposes. This may include assessing the next appropriate actions for the Company’s wholly owned Swedish subsidiary, Woxna Graphite AB, as recommended by the internal strategic review (announced May 27, 2019).

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, 2019 audited annual consolidated financial statements.

Changes in Accounting Policies

(i) IFRS 9 - Financial instruments (“IFRS 9”)

The Company adopted all of the requirements of IFRS 9 as of November 1, 2018. IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.
### Original Under IAS 39

<table>
<thead>
<tr>
<th>Classification</th>
<th>Carrying Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,184,420</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>658</td>
</tr>
<tr>
<td>Reclamation deposit</td>
<td>105,540</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(615,756)</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>(578,012)</td>
</tr>
</tbody>
</table>

### New Under IFRS 9

<table>
<thead>
<tr>
<th>Classification</th>
<th>Carrying Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,184,420</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>658</td>
</tr>
<tr>
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<td>(615,756)</td>
</tr>
<tr>
<td>Property acquisition obligation</td>
<td>(578,012)</td>
</tr>
</tbody>
</table>

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on November 1, 2018.

(ii) IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”)

The Company adopted all of the requirements of IFRS 15 as of November 1, 2018. This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

There was no impact on the Company’s consolidated financial statements upon the adoption of IFRS 15, as the Company does not have any revenue from contracts with customers.

A detailed summary of all the Company’s significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the October 31, 2019 audited annual consolidated financial statements.

### Related Party Transactions and Balances

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

(a) During fiscal 2019 and 2018 the following compensation was incurred:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees - Mr. Way, former President, CEO and director (1)</td>
<td>49,998</td>
<td>199,992</td>
</tr>
<tr>
<td>Termination fee - Mr. Way (1)</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Consulting fees - Mr. Hudson, Chairman and director</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Consulting fees - Mr. Kozlowski, director</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Consulting fees - Mr. DeMare, CFO, Corporate Secretary and former director (3)</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Consulting fees - Mr. Saxon, interim CEO, interim President and director (2)</td>
<td>144,000</td>
<td>144,000</td>
</tr>
<tr>
<td>Consulting fees - Ms. Bermudez, former Corporate Secretary (4)</td>
<td></td>
<td>9,660</td>
</tr>
<tr>
<td>Share-based compensation - Mr. Way</td>
<td></td>
<td>172,000</td>
</tr>
<tr>
<td>Share-based compensation - Mr. Hudson</td>
<td>18,000</td>
<td>172,000</td>
</tr>
<tr>
<td>Share-based compensation - Mr. DeMare</td>
<td>12,000</td>
<td>118,250</td>
</tr>
<tr>
<td>Share-based compensation - Mr. Saxon</td>
<td>24,000</td>
<td>172,000</td>
</tr>
<tr>
<td>Share-based compensation - Mr. Kozlowski</td>
<td>30,000</td>
<td>172,000</td>
</tr>
<tr>
<td>Share-based compensation - Ms. Bermudez</td>
<td></td>
<td>86,000</td>
</tr>
</tbody>
</table>

| Total                                                                      | 567,998 | 1,335,902 |
(1) Mr. Way resigned as CEO, President and a director on January 31, 2019 and Mr. Saxon was appointed interim CEO and President. The $200,000 was paid to Mr. Way pursuant to the terms of his employment agreement.

(2) Mr. Saxon received $30,000 (2018 - $30,000) for director fees and $114,000 (2018 - $114,000) for being a member of the technical advisory committee. On January 31, 2019, Mr. Saxon was appointed interim CEO and President.

(3) 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.

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

As at October 31, 2019, $91,500 (2018 - $31,500) remained unpaid.

(b) During fiscal 2019 the Company incurred $53,100 (2018 - $56,500) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and $4,020 (2018 - $4,020) for rent. As at October 31, 2019, $335 (2018 - $4,170) remained unpaid.

During fiscal 2018 the Company also recorded $53,750 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 21, 2020, there were 113,667,391 issued and outstanding common shares, 27,754,219 warrants outstanding with exercise prices ranging from $0.10 to $0.80 per share and 7,163,109 share options outstanding with exercise prices ranging from $0.165 to $0.64 per share.