

LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JANUARY 31, 2017

This discussion and analysis of financial position and results of operation is prepared as at March 29, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended January 31, 2017 of Leading Edge Materials Corp. ("Leading Edge" 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

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") (see "Acquisition of 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” and, on September 2, 2016, commenced trading on the OTCQB under the symbol “LEMIF”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

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. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company is now considered to be in the production stage. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions improve. The Company is currently reviewing opportunities to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is also the owner of the Norra Kärr rare earth element (“REE”) deposit, the Bergby lithium project and the Vena cobalt prospect in Sweden as well as the Kontio cobalt prospect in Finland.

Woxna Project

The Woxna Project, which comprises four graphite deposits and a fully permitted 100,000 ton per annum feed processing plant is located some 8 kilometres (“km”) WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The Woxna Project’s flagship property is the Kringelgruvan concession.

The traditional graphite market is deflated due to the downturn in the steel sector and commodities in general. This reduction in demand of traditional grades of graphite has created an opportunity for the Company to consider supplying high purity natural graphite to customers that traditionally buy synthetic graphite. The Company continues to work towards establishing a position as a supplier of choice in terms of price, supply security and quality to the European graphite market. The next phase of the production model being implemented is aimed at displacing the synthetic graphite market with a number of value added graphite projects.

Value Adding Projects

Spherical High Purity Graphite products for Lithium Batteries

Product from the Woxna graphite plant in Sweden has been purified using a number of commercial techniques. Commercial Chinese chemical leaching technology and US thermal purification processes have been utilized to produce a number of different high purity spherical graphite samples for testing in lithium ion batteries. The results received to date have been excellent. The Company continues to optimise and improve the purification process using proven commercial purification processes to produce the best possible value added product for qualification test work. This test work is ongoing and updates will be provided to the market on a regular basis.

The Company’s graphite product marketing has been focused on auto and battery cell manufacturers, with the aim of developing commercial relationships that will enable the Company to permit and construct a high purity graphite plant adjacent to the existing operational concentration facility

A number of cell manufactures in the European Union (“EU”) and North America are pursuing the development of lithium ion battery cell manufacturing facilities. These cells would provide energy storage for both fixed and mobility purposes. Electric vehicles (“EVs”) are becoming more mainstream and this increase in EVs will require more battery cell manufacturing in the EU and North America. The Company believes the Woxna production facility is well positioned to be an integral part of the supply chain for battery cell manufacturing.

Graphene Project

The second initiative is the Swedish Graphene Project, which falls under the EU Graphene Flagship Project, a ten-year, €1 billion (US \$1.1 billion) project to research graphene commercialization. Woxna concentrate has now been processed into graphene by 2D Fab AB (“2D Fab”). The test work was completed at bench scale test levels at the 2D Fab facilities in Sweden. The Company’s partner in “Swedish Graphene” is 2D Fab, a company spin-off from Mittuniversitetet (Mid Sweden University).

In 2015, Svenskt Grafen (“Swedish Graphene”), a 2-year, SEK 2.4 million (US \$0.28 million) project to investigate Woxna’s Swedish flake graphite, and its suitability to produce graphene on an industrial scale was selected as one of the new projects supported by SIO Grafen (see the Company’s news release dated September 21, 2015).

The project is investigating Woxna’s Swedish flake graphite, and its suitability to produce graphene on an industrial scale. The project is progressing well and it is anticipated that further updates will be provided in the coming months. Woxna, as one of Europe’s two graphite mines, and Sweden’s only graphite producer, can supply domestically sourced natural flake graphite which provides a clear strategic advantage for Sweden.

Commissioning

The Company has determined that the commissioning of the Woxna plant was completed effective August 1, 2015. Due to current depressed graphite material conditions, no sales of graphite concentrate have been made since completing the commissioning phase of the project.

The Company continues to work with a number of end users to negotiate supply contracts for the Woxna graphite but worldwide graphite pricing and demand are down so sales have been very difficult to achieve. The plant underwent a scheduled summer maintenance shutdown in July 2015, and will not commence meaningful production until market conditions improve. In the resource sector it is the norm to curtail production when commodity prices do not provide a reasonable rate of return. The Company will continue to run the Woxna operation on a “production-ready” basis to minimize costs.

Restart of Production

In November 2013 the Board of Directors of the Company approved the staged production plan for commencing production of graphite from the Kringelgruvan concession. This staged plan was based on a preliminary economic assessment dated October 11, 2013, (the “PEA”) that was superseded by a new technical report on March 24, 2015. (See “Technical Report”). The staged plan spreads the capital cost over four years as sales contracts are established and allows for lower production levels and costs until the sales warrant capacity expansion.

Procurement of equipment (new and used) and design work commenced in late 2013. Site works commenced in earnest in January 2014. The Company purchased floatation cells in January 2014 and, in February 2014, placed orders for a number of short lead time and key items, such as vertical regrind mills and process control hardware. The processing plant equipment refurbishment work was completed in July 2014. The tailings storage facility refurbishment work was completed in August 2014 and the Company began operating the Woxna plant facility at limited levels. During the initial months of operations, the Company completed progressive process improvements to ensure the plant met design specifications and that the graphite products produced fulfilled customer expectations. During this commissioning period, the quantity of graphite produced was limited to 100’s of tonnes a month, and the grade was variable due to the ongoing plant refinements. The Company sold all of the 2014 production in January 2015. The Company conducted mining operations in March and April and has built up a stockpile of graphitic material which can be processed through the plant. A total of 37,100 tonnes were mined with 27,600 tonnes being waste and 9,500 tonnes being graphitic material. The waste to graphitic material ratio was high during this program as the Company just initiated a new open pit which will be the site of future mining operations.

History of Project

The Woxna Project produced flake graphite from 1996 to 2001, when it closed due to depressed graphite prices. The Woxna Project was acquired in August 2011 and since then the Company has been working to bring the property back to the production stage. The Woxna Project comprises four exploitation (mining) concessions located in the vicinity of the town of Edsbyn, northwest of the city of Gavle in Central Sweden. The Woxna Project comprises a partially depleted open pit and associated processing facility on the Kringelgruvan concession which had been in production from 1996 to 2001. The other three concessions remain undeveloped. Graphite is developed in distinct zones in silicified metasedimentary and metavolcanic rocks. This type of mineralisation is particularly suited to discovery by electromagnetic geophysical methods. The Woxna Project area is well placed in terms of infrastructure with access to water and connections to power grid. The site has good roads in place which give good access to European graphite markets as well as surrounding regional facilities and infrastructure.

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 graphitic rock commenced in Q1 2015. The freshly mined graphitic rock was fed into the Woxna processing facility and operated at normal design capacity producing graphite concentrate inventory. This inventory was stockpiled instead of sold due to declining global flake graphite demand during 2015 that has pushed prices to a four year low. As previously disclosed, given these weakening conditions, the Board of Flinders has chosen to reduce production at Woxna and only supply larger volumes when improved graphite prices return thus conserving working capital.

Technical Report

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

Mineral Resources

Woxna Graphite AB (“Woxna”), the Company’s 100% owned Swedish subsidiary, owns four mining concessions over graphite deposits (Kringelgruvan, Gropabo, Mattsmyra and Månsberg - the Woxna Project) located along a 40km trend in central Sweden. The partially mined Kringelgruvan deposit lies adjacent to the processing plant, tailings dam and related infrastructure.

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

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

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

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

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

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

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

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

As a result of the new estimated mineral resources for the Woxna Project, effective March 24, 2015, there is no longer a current PEA for the Woxna Project and the previous PEA released by the Company in 2013 is no longer

current or valid as it does not consider these additional mineral resources. The Company cautions that it has no plans to complete a new preliminary economic assessment, a pre-feasibility or feasibility study at this time on the Woxna Project, as a result, there is an increased risk of technical and economic failure for the Woxna Project.

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

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

It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is in operation. It was concluded that the risk of restarting the plant was manageable which is demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost and rapidly integrated into the graphite market. The Company has determined that, effective August 1, 2015, the commissioning of the Woxna plant was completed. The graphite market is at a four year low and the Woxna plant is currently on a production ready status and can be restarted in a matter of days once viable economics return to the graphite market. However, due to the ongoing success of the high purity graphite research, and the widely reported anticipated increase in demand for battery grade graphite, the Company has committed to the re-permitting process for expansion at the Woxna site. Re-permitting of the Woxna site will allow for an increased graphite production rate across the site and an expansion of the range of graphite products that can be produced, including high purity materials. Once permitted for high purity graphite production, Woxna will be positioned as a long term and sustainable supplier of high value raw materials to the burgeoning European energy storage market. In comparison to traditional natural flake graphite pricing less than \$800 per ton, graphite market analyst, Benchmark Minerals, indicate that natural flake battery grade spherical graphite products commands prices in the order of US \$3,000 to US \$4,500 per tonne, depending on specifications. The Company has engaged a consultant to scope the re-permitting process and to work with the relevant consultants and authorities. Further details of the multiplier of the expansion, high purity output, process, timeframes and costs will be announced when all parameters are defined.

Norra Kärr REE Project

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

The mining lease for Norra Kärr, along with three other mining leases held by third parties in Sweden, are presently under reassessment by the Swedish Mines Inspectorate following a recommendation by the Swedish Supreme Administrative Court ("SAC"). The Mines Inspectorate is considering all four mining lease applications to determine any additional information that is required to meet the SAC's new interpretation of the Mining Act. The Company has been advised by Swedish legal counsel that the Norra Kärr Mining Lease remains in force, and is 100% owned by the Company. The Company continues to work with the authorities to provide any additional information required.

The Norra Kärr mining lease is surrounded by an Exploration License ("EL") which was first granted to Tasman on August 31, 2009. On August 31, 2015, Tasman applied for a two-year extension of this EL, which was granted by the Swedish Mines Inspectorate. Subsequently, the renewal of the EL was appealed to the Administrative Court in Falun. The Company was advised in late August 2016 that the appeal was upheld by the Administrative Court, which determined that the Mines Inspectorate was incorrect in granting the renewal to Tasman. The Company appealed this decision and, in February 2017, the Company was advised that its appeal was upheld and the EL was reinstated. This

decision has also been appealed by opposing interests. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property.

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

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

Tungsten

Sweden

On October 7, 2013 Tasman purchased a portfolio of tungsten projects in the Bergslagen mining district of south-central Sweden. In addition, during fiscal 2015, Tasman staked one additional tungsten claim. This portfolio includes several of the largest known tungsten occurrences in Scandinavia, including the former Yxsjöberg mine which accounts for more than 90% of the tungsten previously produced in Sweden.

The acquired tungsten projects are approximately centered on the Yxsjöberg historical mine where a mill and tailings dam remains on site. Simple road access links all project areas. The data from the mines is historical in nature and was compiled prior to the implementation of NI 43-101 reporting standards. The Company has not completed sufficient exploration to verify the estimates and is not treating them as NI 43-101 defined resources or reserves verified by a qualified person; the historical estimate should not be relied upon.

Yxsjöberg

The Yxsjöberg historical mine is the by far largest known tungsten mineralization in Sweden, from which more than 90% of all tungsten produced in the country emanates. The deposit is of a skarn-hosted tungsten-copper-beryllium-fluorite style consisting of three mineralized material bodies (Kvarnåsen, Nävergruvan, Finngruvan) which lie in the same folded, skarn altered limestone horizon. Earliest records of mining date back to 1728 and small scale mining for copper continued intermittently until the 19th century. The tungsten mineral scheelite (CaWO₄) was first identified in 1862 and the earliest recorded production of tungsten in 1918. A new concentrator was built in 1937, and a roasting furnace and gravity separator added in 1951. A circuit for the production of fluorite concentrate was added in 1956. Fluorite remains a potential by-product to any future operation.

The price of tungsten fell in the early 1960s, and the mine was closed in 1963 and subsequently allowed to flood. By the end of the 1960s however, the tungsten price had recovered and interest was renewed. In 1969 the Swedish State-owned mining company, AB Statsgruvor, acquired the mine and constructed a new concentrator and head frame. This new plant began with gravity separation, but was converted to selective flotation in 1977. The mine and plant were closed again in 1989 due to low tungsten prices, when the deepest levels of the mine had reached approximately 600m. A total of more than 5 million tonnes of mineralized material averaging approximately 0.35% WO₃ (with additional copper and fluorite) were extracted during the life of the Yxsjöberg mine. Significant mineralization remained in situ at the final closure in 1989.

Apart from remediation and environmental management, the plant has largely been left untouched since the closure of the mine, as have two large tailings dams estimated to contain a total of 4.6 million metric tonnes of material.

Cobalt

The Vena project is a cobalt-copper project located in central Sweden, approximately 250 km southwest of Stockholm. The project lies in the County of Örebro, and is secured by Leading Edge Material's 350 Ha Vena nr 5 claim. Vena is a site of extensive historic mining activity including 200 separate pits over an area of more than 2500 metres by 500 metres. The deepest workings extend to only 68 metres in depth. Historic data is being reviewed and a program will be defined for advancing the project.

The Kontio cobalt-copper project is located in north eastern Finland approximately 50 km northwest of the town of Kuusamo. The project is secured by a 30,800 hectare Kontio-Sarvivaara reservation which is valid until September 2018.

The Kontio project lies within the Kuusamo Schist Belt, host to numerous significant deposits in Eastern Finland. The Kuusamo Schist Belt is comprised of various meta-sedimentary sequences with regular mafic and felsic intrusive and regional scale albite alteration. Eleven cobalt-copper deposits or occurrences were discovered in the vicinity of the Kontio project during the 1970's and 80's, following which time no significant exploration work has been documented. The Company's Kontio-Sarvivaara claim reservation secures four of these occurrences, along strike potential of the Haarakumpu cobalt-copper deposit, plus numerous untested geophysical anomalies. The project area is being reviewed and a program will be defined.

Lithium

The Bergby project is a lithium project located in central Sweden, 25km north of the town of Gävle. The claim area totals 1903 Ha. The site is close to infrastructure, with major roads, rail and power supply passing immediately adjacent to the claim boundaries. Mapping and sampling of the Bergby claim has located a large number of angular pegmatitic and aplitic lithium-mineralized boulders within an area of 650 metres by 250 metres. Lithium is hosted within the minerals spodumene and petalite. Analytical results for the first 27 boulder samples have been received, and average 0.85% Li₂O (lithium oxide) and range 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.

A drill program commenced in early March 2017 and results are expected in late Q2 2017.

Qualified Person

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

Selected Financial Data

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

	Fiscal 2017	Fiscal 2016				Fiscal 2015			
Three Months Ended	January 31, 2017 \$	October 31, 2016 \$	July 31, 2016 \$	April 30, 2016 \$	January 31, 2016 \$	October 31, 2015 \$	July 31, 2015 \$	April 30, 2015 \$	
Operations									
Expenses	(669,396)	(2,060,555)	(454,144)	(460,150)	(593,077)	(632,295)	(691,550)	(740,739)	
Other items	(78,116)	63,761	19,661	10,467	19,143	16,807	13,728	26,743	
Net loss	(747,512)	(1,996,794)	(434,483)	(449,683)	(573,934)	(615,488)	(677,822)	(713,996)	
Basic and diluted loss per share	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Financial Position									
Working capital	3,582,767	2,436,641	1,947,010	2,314,419	2,723,864	3,233,642	3,693,198	4,336,528	
Total assets	36,893,309	36,037,751	19,632,405	18,808,738	19,340,291	19,005,386	19,153,275	20,122,699	
Total non-current liabilities	(7,942,687)	(8,072,937)	(8,272,979)	(7,057,850)	(7,068,777)	(6,151,407)	(5,676,407)	(5,792,906)	

Results of Operations

Three Months Ended January 31, 2017 Compared to Three Months Ended October 31, 2016

During the three months ended January 31, 2017 ("Q1/2017") the Company reported a net loss of \$747,512 compared to a net loss of \$1,996,794 for the three months ended October 31, 2016 (the "Q4/2016"), for a decrease in loss of \$1,249,282. The decrease in loss was primarily attributed to the recognition of share-based compensation of

\$1,505,250 during Q4/2016, on the granting and vesting of share options. No share options were granted during Q4/2016.

The decrease in loss was partially offset against:

- (i) the recognition of a foreign exchange loss of \$54,828 during Q1/2017 compared to a foreign exchange gain of \$35,244 during Q4/2016 ; and
- (ii) a \$114,091 increase in corporate expenses from \$555,305 in Q4/2016 to \$669,396 in Q1/2017 reflecting additional costs due to the acquisition of Tasman and its properties.

Three Months Ended January 31, 2017 Compared to Three Months Ended January 31, 2016

During the three months ended January 31, 2017 (the “2017 period”) the Company reported a net loss of \$747,512 (\$0.01 per share), compared to a net loss of \$573,934 (\$0.01 per share) for the three months ended January 31, 2016 (the “2016 period”), an increase in loss of \$173,578. The increase in loss is primarily attributable to:

- (i) increase in corporate activities after the acquisition of Tasman;
- (ii) recognition of a foreign exchange loss of \$54,828 in the 2017 period compared to a foreign exchange loss of \$8,844 in the; and
- (iii) recognition of a write-off of exploration and evaluation assets of \$34,556 in the 2017 period.

General and administrative expenses increased by \$76,319 from \$593,077 during the 2016 period to \$669,396 during the 2017 period. Specific general and administrative expenses of note during the 2017 period are as follows:

- (i) incurred consulting fees of \$286,835 (2016 - \$163,829) of which \$197,669 (2016 - \$116,975) was paid to consultants for mine management advisory services provided for refinement of the existing process to upgrade to a high purity spherical graphite. In addition, \$44,616 (2016 - \$16,954) was paid to consultants in Canada for financial advisory services and \$44,550 (2016 - \$29,900) was incurred by current and former directors of the Company in their capacity as directors and officers. See also “Related Party Transactions and Balances”;
- (ii) incurred \$49,998 (2016 - \$49,998) for management fees charged by the Company’s President and CEO. See also “Related Party Transactions and Balances”;
- (iii) recorded \$nil (2016 - \$21,804 for accretion of property acquisition obligation. During the 2017 period no accretion was recorded as the property acquisition obligation was accreted to its estimated future value;
- (iv) incurred salaries, compensation and benefits expense of \$94,830 (2016 - \$184,170) for staff in the mining office in Sweden. During the 2016 period the Company increased staffing and casual labour hires specifically to facilitate the refurbishment of and commencement of operations at the Woxna Graphite plant;
- (v) incurred a total of \$30,162 (2016 - \$20,133) for accounting and administration services of which \$21,000 (2016 - \$7,500) was for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare and \$9,162 (2016 - \$12,633) was for bookkeeping and accounting services provided by an independent accountant in Sweden;
- (vi) corporate development expenses were higher during the 2017 period compared to the 2016 period from \$1,658 during the 2016 period to \$32,373 during the 2017 period. During the 2017 period the Company participated in several market awareness programs and attended several investments conferences;
- (vii) incurred travel expenses of \$51,936 (2016 - \$22,446) for ongoing travel by Company personnel to mainly oversee the Company’s operations of the Woxna Graphite Mine, visit the various mineral exploration properties and attend investment conferences;
- (viii) incurred audit fees of \$5,892 (2016 - \$31,515) for the year-end audit . The change between the 2017 period and the 2016 period was solely due to the timing of billings relating to the audit of the Company’s year-end financial statements; and
- (ix) transfer agent fees were higher during the 2017 period compared to the 2016 period from \$1,234 during the 2016 period to \$14,390 during the 2017 period. During the 2017 period the Company paid the remaining costs incurred for the Plan of Arrangement with Tasman.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the 2017 period the Company reported interest of \$8,021, an increase of \$1,064, compared to \$6,957 during the 2016 period, reflecting the higher levels of cash held during the 2017 period.

Financings

During the 2017 period the Company completed a private placement financing of 4,004,222 units at a price of \$0.45 per unit for gross proceeds of \$1,801,900. The Company intends to use the net proceeds from the placement to testwork toward the production of high-purity graphite at the Woxna graphite project, to further lithium and cobalt exploration activities, and for general corporate requirements. Proceeds from the placement will allow an accelerated work program during fiscal 2017.

No equity financings were completed during the 2016 period.

Property, Plant and Equipment

Cost:	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Balance - October 31, 2015	163,133	264,699	344,139	7,567,878	7,452,361	15,792,210
Additions	-	-	-	-	16,401	16,401
Acquisition	-	15,489	-	-	-	15,489
Disposal	(81,986)	-	-	-	-	(81,986)
Adjustment to site restoration	-	-	-	-	1,823,418	1,823,418
Balance - October 31, 2016	81,147	280,188	344,139	7,567,878	9,292,180	17,565,532
Additions	-	-	-	-	2,806	2,806
Adjustment to site restoration	-	-	-	-	(171,340)	(171,340)
Balance - January 31, 2017	81,147	280,188	344,139	7,567,878	9,123,646	17,396,998
Accumulated Depreciation:						
Balance - October 31, 2015	(84,822)	(182,155)	(5,470)	(79,889)	-	(352,336)
Depreciation	(17,045)	(35,612)	(22,007)	(20,064)	-	(94,728)
Disposal	59,882	-	-	-	-	59,882
Balance - October 31, 2016	(41,985)	(217,767)	(27,477)	(99,953)	-	(387,182)
Depreciation	(4,928)	(9,256)	(5,502)	(5,016)	-	(24,702)
Balance - January 31, 2017	(46,913)	(227,023)	(32,979)	(104,969)	-	(411,884)
Carrying Value:						
Balance - October 31, 2016	39,162	62,421	316,662	7,467,925	9,292,180	17,178,350
Balance - January 31, 2017	34,134	53,165	311,160	7,462,909	9,123,646	16,985,114

Exploration and Evaluation Assets

	Graphite Exploration Concessions \$	Norra Kärr \$	Other \$	Total \$
Balance at October 31, 2015	19,616	-	-	19,616
Exploration costs				
Consulting	-	-	11,008	11,008
Geochemical	-	-	3,489	3,489
	-	-	14,497	14,497
Acquisition costs				
Acquired on Acquisition	-	15,417,169	202,645	15,619,814
Mining rights	9,741	-	5,431	15,172
	9,741	15,417,169	208,076	15,634,986
Balance at October 31, 2016	29,357	15,417,169	222,573	15,669,099

	Graphite Exploration Concessions \$	Norra Kärr \$	Other \$	Total \$
Exploration costs				
Mapping	-	882	442	1,324
Acquisition costs				
Mining rights	6,089	-	3,766	9,855
Recoveries	-	(9,440)	-	(9,440)
Write-off	-	(34,556)	-	(34,556)
	<u>6,089</u>	<u>(43,996)</u>	<u>3,766</u>	<u>(34,141)</u>
Balance at January 31, 2017	<u>35,446</u>	<u>15,374,055</u>	<u>226,781</u>	<u>15,636,282</u>

During the 2017 period the Company recorded total additions of \$11,179 (2016 - \$6,637) net of recoveries of \$9,440 (2016 - \$nil) and write-offs of certain minor claims of \$34,556 (2016 - \$nil).

Financial Condition / Capital Resources

During the 2017 period the Company recorded a net loss of \$747,512 and, as at January 31, 2017, the Company had an accumulated deficit of \$20,495,523 and working capital of \$3,582,767. The Company is maintaining its Woxna Graphite Mine on a “production-ready” basis to minimize costs. The Company currently has no significant budget allocated for the Norra Kärr Project. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or upgrade the plant to produce value added production. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company’s long-lived assets is dependent upon the Company’s ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

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 significant accounting policies is included in Note 3 to the October 31, 2016 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Transactions and Balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the 2017 and 2016 periods the following amounts were incurred with respect to the Company's President and CEO (Mr. Way), and the Company's CFO (Mr. DeMare):

	2017 \$	2016 \$
Management fees - Mr. Way	49,998	49,998
Consulting fees - Mr. DeMare ⁽¹⁾	<u>3,000</u>	<u>10,500</u>
	<u>52,998</u>	<u>60,498</u>

(1) Paid to Chase Management Ltd. ("Chase") a private corporation owned by Mr. DeMare.

As at January 31, 2017 - \$13,500 (October 31, 2016 - \$13,500) remained unpaid.

The Company has a management agreement with Mr. Way which provides that in the event Mr. Way's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on January 31, 2017, the amount payable under the agreement would be \$199,992.

(b) *Transactions with other Related Parties*

(i) During the 2017 and 2016 periods the following amounts were incurred with respect to non-management directors (Messrs. Hudson, Saxon and Ranggard) and a former director (Mr. Robert Atkinson) of the Company:

	2017 \$	2016 \$
Consulting fees - Mr. Hudson	1,500	6,000
Consulting fees - Mr. Saxon ⁽¹⁾	18,000	6,000
Consulting fees - Mr. Ranggard ⁽²⁾	22,050	-
Consulting fees - Mr. Atkinson ⁽³⁾	<u>-</u>	<u>6,000</u>
	<u>41,550</u>	<u>18,000</u>

(1) Mr. Saxon received \$1,500 for director fees and \$16,500 for being a member of the technical advisory committee.

(2) Mr. Ranggard received \$1,500 for director fees and \$20,550 for being a member of the legal advisory committee.

(3) Mr. Atkinson resigned as a director on August 25, 2016.

As at January 31, 2017, \$67,050 (October 31, 2016 - \$48,455) remained unpaid.

(ii) During the 2017 period the Company incurred \$21,000 (2016 - \$7,500) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$1,005 (2016 - \$1,005) for rent. As at January 31, 2017, \$14,170 (October 31, 2016 - \$4,470) remained unpaid.

(iii) During the 2017 period the Company incurred \$4,763 (2016 - \$1,400) for shared administration costs with Mawson Resources Limited, a public company with common directors and officers. As at January 31, 2017, \$3,750 (October 31, 2016 - \$6,413) remained unpaid.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 29, 2017, there were 84,170,900 issued and outstanding common shares, 4,556,829 warrants outstanding with exercise prices ranging from \$0.70 to \$3.00 per share, 51,953 compensation options outstanding with an exercise price of \$2.20 per share and 7,142,500 share options outstanding with exercise prices ranging from \$0.39 to \$2.94 per share.