

LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

This discussion and analysis of financial position and results of operation is prepared as at January 26, 2018 and should be read in conjunction with the audited condensed consolidated financial statements for the years ended October 31, 2017 and 2016 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") 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". On November 14, 2017 the

Company submitted its application to list its common shares on Nasdaq First North in Stockholm, Sweden and received conditional approval on December 18, 2017. On January 22, 2017 the Company's common shares commenced trading on 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.

In 2017 the Company announced four government funded R&D projects, all of which were initiated, as follows:

- (i) In June 2017 the Company announced the project "Graphene Modified Composites for Long-Term and High-Temperature Applications". This project is focused on aerospace and aeronautic applications, and aims to develop graphene modified polymeric materials using graphite sourced from Leading Edge Material's Woxna project. The project brings together an entire Swedish value chain, from a supplier of graphite to end users of high performance materials. Industrial partners include GKN Aerospace Sweden AB (formerly Volvo Aero) and Nexan Chemical AB, while the materials research will be driven by Swerea SICOMP AB.
- (ii) In July 2017 the Company announced participation in an innovation project agreement with KIC InnoEnergy SE for the study of the establishment of a large scale battery manufacturing project in Sweden. The Company is partnered with Northvolt AB and will contribute to the project by providing supply chain factors for achieving the objective of establishing a large scale battery manufacturing facility in the Nordic region. The project is focused on developing the conditions for a local source, very low carbon dioxide impact and leading cost structure for battery cell manufacturing.
- (iii) In October 2017 the Company announced its participation in a Swedish government funded research project "Natural Swedish Graphite for Future Lithium Ion Batteries". The Company is a founding participant in the project, along with the Ångström Advanced Battery Centre ("ÅABC"), Uppsala University, Sweden. The project is focused on the application and optimization of high purity natural graphite as anode material for lithium ion batteries, using graphite sourced from the Company's Woxna project in Sweden. Major funding is provided by Vinnova, a Swedish government agency working under the Ministry of Enterprise and Innovation, to promote research investment.
- (iv) In December 2017 the Company announced a Vinnova project titled "Graphene Energy". The Company is partnered with 2D fab AB, VestaSi AB, Ångström Advanced Battery Centre (ÅABC), Uppsala University (UU) and Mid Sweden University (MIUN). The project objective is to use graphene from the Company's Woxna graphite facility to enhance the electrical conductivity and to enhance the mechanical strength of the anode, along with providing a protection of silicon particles to reduce the problem associated with formation of the SEI (solid electrolyte interface) layer.

Corporate Update

Effective December 15, 2017 Mr. Nick DeMare resigned as a director of the Company. Mr. DeMare remains as the Company's Chief Financial Officer.

Woxna Project

The Woxna Project, which comprises four graphite deposits and a fully permitted 100,000 ton per annum 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 Woxna Project is now focused on the production of value added graphite products. The Company maintains the Woxna plant in an operation ready status running it on an as needed basis to provide feedstock product for value added test work. The Company is working with potential customers to identify products that can be produced from the Woxna Graphite Mine. The Company 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 natural graphite products.

Value Adding Projects

The Company has a number of internal R&D projects underway to value add the Woxna Graphite product lines.

Spherical High Purity Graphite products for Lithium Batteries

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

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

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

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

In late 2017 the Company manufactured over twenty 18650 battery cells to undertake more exhaustive material and performance testing. These works are ongoing in conjunction with battery cell manufactures.

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

The Company’s graphite product marketing has been focused on automotive 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 graphite concentration facility.

A number of cell manufactures in the European Union (“EU”) and North America are pursuing the development of large scale 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 Company announced the commencement of a Vinnova funded research project, where the Company is a founding participant, involving the use of graphite and graphene in high performance polymeric composite materials. The project, entitled “Graphene Modified Composites for Long-Term and High-Temperature Applications” has a focus on aerospace and aeronautic applications, and aims to develop graphene modified polymeric materials using graphite sourced from the Woxna plant in Sweden.

The above project is the next step after 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 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.

Technical Report

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

Mineral Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is 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 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 US \$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 Tasman via an exploration licence and a mining lease.

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

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

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

EURARE is 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. Process development research on Norra Kärr completed under the European Commission funded EURARE project achieved significant technical milestones.

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

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

A technical report supporting the PFS is available in its entirety, on the SEDAR website at www.sedar.com or the Company's website at www.tasmanmetals.com. The PFS was prepared by GBM under the guidance of Michael Short, Principal Consultant for GBM who is a "Qualified Person" in accordance with NI 43-101.

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

The 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.

Cobalt

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 in late 2016 and early 2017 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.

The second drill program was complete in September 2017 with 15 holes drilled for a total of 991.0m. Bergby has now been tested by a total of 33 drill holes to a maximum depth of 131.1m over an approximate 1500m strike length.

An 18 hole drill program was completed in June 2017. The 17 lithium mineralized holes lie along a 600m strike following a trend of lithium mineralized pegmatite outcrop and boulders. 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 (see Table 4 for all mineralized intersections). Preliminary petrographic studies indicate the presence of the lithium minerals spodumene and petalite, which should support a traditional mineral processing path.

The true thickness of mineralized intervals is interpreted to be approximately 90% of the sampled thickness. The results are as follows:

Table 3: Drill collars locations and orientations, Bergby Project.

	Hole_ID	Easting SWEREF	Northing SWEREF	Elevation RH2000	Azimuth	Dip	Length
PHASE 2 - CORE DIAMETER 56 mm	BBY17019	612770	6760466	35	115	60	44.55m
	BBY17020	612729	6760375	35	115	61	47.20m
	BBY17021	612668	6760292	35	115	53.7	40.63m
	BBY17022	612581	6760387	35	115	50	131.10m
	BBY17023	612638	6760472	35	115	45	113.25m
	BBY17024	612769	6760665	35	115	46.5	77.30m
	BBY17025	612951	6760884	35	115	52	37.30m
	BBY17026	613014	6761014	35	115	52	62.52m
	BBY17027	613074	6761154	35	115	50	60.00m
	BBY17028	613136	6761290	35	115	50	50.35m
	BBY17029	613210	6761443	35	115	50	50.35m
	BBY17030	612845	6760650	35	115	61.2	41.45m
	BBY17031	612712	6760649	35	115	46.1	86.20m
	BBY17032	612712	6760649	35	115	82.5	80.62m
BBY17033	612664	6760416	35	115	46.1	68.20m	
PHASE 1 - CORE DIAMETER 39 mm	BBY17001	612902	6760564	35	295	45	54.80m
	BBY17002	612881	6760582	35	0	90	14.80m
	BBY17003	612872	6760590	35	0	90	16.45m
	BBY17004	612864	6760597	35	0	90	17.90m
	BBY17005	612877	6760609	35	0	90	17.95m
	BBY17006	612866	6760613	35	0	90	27.00m
	BBY17007	612886	6760604	35	0	90	12.00m
	BBY17008	612886	6760627	35	0	90	14.75m
	BBY17009	612874	6760697	37	115	60	50.20m
	BBY17010	612818	6760609	35	115	60	50.30m
	BBY17011	612864	6760563	35	0	90	14.40m
	BBY17012	612875	6760555	35	0	90	11.35m
	BBY17013	612877	6760518	35	255	75	17.40m
	BBY17014	612787	6760513	35	115	45	40.80m
	BBY17015	612756	6760417	35	115	50	50.00m
BBY17016	612700	6760333	35	115	60	44.30m	
BBY17017	612679	6760219	35	115	70	29.30m	
BBY17018	612604	6760114	35	115	50	50.20m	

Table 4: Mineralized intervals from Bergby Project

	Hole Number	From (m)	To (m)	Width (m)	Li2O%	Ta2O5 ppm	
PHASE 2	BBY17019	21.05	33.66	12.61	0.83	47	
	BBY17020	13.55	33.00	19.45	1.12	184	
	BBY17021	15.38	16.38	1.00	0.96	1	
	BBY17023	57.1	65.25	8.20	0.14	13	
	BBY17024	56.10	64.16	8.06	0.27	88	
	BBY17025	20.00	25.07	5.07	0.00	362	
	BBY17026	49.20	52.00	2.80	0.02	297	
	BBY17027	No significant mineralization					
	BBY17028	No significant mineralization					
	BBY17029	No significant mineralization					
	BBY17030	25.00	30.43	5.43	1.60	155	
	BBY17031	71.50	76.00	4.50	1.31	165	
	BBY17032	68.00	71.34	3.34	0.09	267	
BBY17033	52.80	55.80	3.00	1.33	68		
PHASE 1	BBY17001	4.85	6.30	1.45	0.77	31	
	BBY17002	0.00	3.95	3.95	1.83	163	
	BBY17003	2.85	11.05	8.20	2.06	118	
	BBY17004	10.20	12.10	1.90	2.26	74	
	BBY17005	2.20	12.65	10.45	1.58	107	
	BBY17006	11.55	16.00	4.45	1.44	50	
	BBY17007	1.40	6.05	4.65	2.71	315	
	BBY17008	1.10	9.85	8.75	2.63	186	
	BBY17009	14.80	16.00	1.20	2.68	12	
	BBY17009	24.55	25.65	1.10	2.44	49	
	BBY17010	27.55	36.35	8.80	1.11	98	
	BBY17011	0.70	7.50	6.8	1.87	191	
	BBY17012	2.25	3.90	1.65	1.14	25	
	BBY17013	8.00	9.05	1.05	0.68	8	
	BBY17014	18.80	25.25	6.45	0.63	48	
	BBY17015	15.75	32.10	16.35	1.00	129	
	BBY17016	17.90	36.75	18.80	1.14	101	
	BBY17017	12.25	13.50	1.25	0.59	2	
BBY17018	No significant mineralization						

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 audited consolidated financial statements of the Company prepared in accordance with IFRS.

	Year Ended October 31,		
	October 31, 2017 \$	October 31, 2016 \$	October 31, 2015 \$
Operations			
Expenses	(2,772,709)	(3,567,926)	(2,854,109)
Other items	(147,319)	113,032	65,959
Net loss	(2,920,028)	(3,454,894)	(2,788,150)
Basic and diluted loss per share	(0.03)	(0.07)	(0.06)
Dividends per share	Nil	Nil	Nil

	Year Ended October 31,		
	October 31, 2017 \$	October 31, 2016 \$	October 31, 2015 \$
Balance Sheet			
Working capital	3,490,760	2,436,641	3,233,642
Total assets	37,915,728	36,037,751	19,005,386
Total non-current liabilities	(8,330,321)	(8,072,937)	(6,151,407)

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

Three Months Ended	Fiscal 2017				Fiscal 2016			
	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	January 31, 2017 \$	October 31, 2016 \$	July 31, 2016 \$	April 30, 2016 \$	January 31, 2016 \$
Operations								
Expenses	(843,952)	(598,339)	(661,022)	(669,396)	(2,060,555)	(454,144)	(460,150)	(593,077)
Other items	75,938	(85,392)	(59,749)	(78,116)	63,761	19,661	10,467	19,143
Net loss	(768,014)	(683,731)	(720,771)	(747,512)	(1,996,794)	(434,483)	(449,683)	(573,934)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Financial Position								
Working capital	3,490,760	4,430,469	3,980,145	3,582,767	2,436,641	1,947,010	2,314,419	2,723,864
Total assets	37,915,728	39,267,743	38,320,958	36,893,309	36,037,751	19,632,405	18,808,738	19,340,291
Total non-current liabilities	(8,330,321)	(9,557,984)	(8,967,308)	(7,942,687)	(8,072,937)	(8,272,979)	(7,057,850)	(7,068,777)

Results of Operations

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

During the three months ended October 31, 2017 (the “Q4/2017”) the Company reported a net loss of \$768,014 compared to a net loss of \$1,996,794 for the prior three months ended October 31, 2016 (the “Q4/2016”), for a decrease in loss of \$1,228,780. The decrease in loss was primarily attributed to the recognition of share-based compensation of \$1,505,250 during Q4/2016, compared to \$nil during Q4/2017, on the granting and vesting of share options. This was partially offset by a \$276,470 increase in general and administrative expenses in Q4/2017 compared to Q4/2016.

Year Ended October 31, 2017 Compared to Year Ended October 31, 2016

During the year ended October 31, 2017 (“fiscal 2017”), the Company incurred a net loss of \$2,920,028 compared to a loss of \$3,454,894 during the year ended October 31, 2016 (“fiscal 2016”), a decrease in loss of \$534,866. The decrease in loss is primarily attributed to the recognition of share-based compensation of \$1,505,250 in fiscal 2016, compared to \$nil in fiscal 2017, on the granting and vesting of share options. The decrease in share-based compensation was partially offset by an increase of \$710,033 in general and administrative expenses and the \$126,030 impairment of certain exploration and evaluation assets in fiscal 2017.

Expenses, not including share-based compensation, increased by \$710,033 from \$2,062,676 during fiscal 2016 to \$2,772,709 during fiscal 2017. Specific expenses of note during fiscal 2017 are as follows:

- (i) incurred \$415,807 (2016 - \$295,405) for director and officer compensation charged by the Company’s directors and officers. See also “Related Party Transactions and Balances”;
- (ii) the Company recorded \$41,185 (2016 - \$108,465) accretion of property acquisition obligation during fiscal 2017. As at October 31, 2017 the Company has fully accreted the SEK 4,000,000 additional consideration associated with the Kringelgruvan concession;
- (iii) incurred salaries, compensation and benefits expense of \$387,755 (2016 - \$540,694) for staff in the mining office in Sweden. During fiscal 2016 the Company increased staffing and casual labour hires specifically to facilitate the refurbishment of and commencement of operations at the Woxna Graphite plant. During fiscal 2017 staffing at the Woxna Graphite plant was maintained on a “production-ready state” to minimize costs;

- (iv) incurred a total of \$96,523 (2016 - \$59,900) for accounting and administration services of which \$54,000 (2016 - \$29,400) was for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare and \$42,523 (2016 - \$30,500) was for bookkeeping and accounting services provided by an independent accountant in Sweden. The increase in fees reflects the increase in accounting services from the acquisition of Tasman;
- (v) corporate development expenses were higher during fiscal 2017 compared to fiscal 2016 from \$77,920 during fiscal 2016 to \$267,038 during fiscal 2017. During fiscal 2017 the Company participated in several market awareness programs;
- (vi) incurred travel expenses of \$228,156 (2016 - \$96,396) 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;
- (vii) transfer agent fees increased by \$16,756, from \$15,912 during fiscal 2016 to \$32,668 during fiscal 2017. During fiscal 2017 the Company conducted an equity financing and incurred the remaining costs relating to the acquisition of Tasman;
- (viii) incurred a total of \$196,729 (2016 - \$21,103) for legal expenses. The increase in legal expenses was mainly attributed to services provided for the Company’s listing of its common shares on NASDAQ First North in Stockholm Sweden;
- (ix) marketing expense of \$178,495 (2016 - \$nil) was paid to a consultant to assist in the marketing and development of commercial relationships for graphite products from the Woxna Plan; and
- (x) research and development expenses of \$316,443 (2016 - \$263,605) was recorded during fiscal 2017. The Company has continued to optimize and improve the purification process using proven commercial purification processes to produce the best possible value added products from the Woxna Graphite Plant.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During fiscal 2017 the Company reported interest of \$42,613, an increase of \$19,549, compared to \$23,064 during fiscal 2016, reflecting the higher levels of cash held during the 2017 period.

During fiscal 2016 the Company received a government grant of \$43,580 from Sweden to promote the research of production and marketing of graphite. The grant has been included in interest and other income.

Financings

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

During fiscal 2016 the Company issued 145,000 common shares on the exercise of share options for \$14,500. No equity financings were completed during fiscal 2016.

Property, Plant and Equipment

	Vehicles	Equipment and Tools	Building	Manufacturing and Processing Facility	Mineral Property Acquisition and Development Costs	Total
Cost:	\$	\$	\$	\$	\$	\$
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	-	6,830	-	-	2,806	9,636
Adjustment to site restoration	-	-	-	-	192,170	192,170
Balance - October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
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	(11,466)	(30,457)	(22,007)	(10,265)	-	(74,195)
Balance - October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Carrying Value:						
Balance - October 31, 2016	39,162	62,421	316,662	7,467,925	9,292,180	17,178,350
Balance - October 31, 2017	27,696	38,794	294,655	7,457,660	9,487,156	17,305,961

During fiscal 2017 the Company recorded total additions of \$9,636 (2016 - \$31,890) to property, plant and equipment. The Company also recorded \$192,170 (2016 - \$1,823,418) increase to the provision for site restoration for the Kringselgruven concession.

Exploration and Evaluation Assets

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	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	45,517	157,128	15,619,814
Mining rights	9,741	-	-	5,431	15,172
	9,741	15,417,169	45,517	162,559	15,634,986
Balance at October 31, 2016	29,357	15,417,169	45,517	177,056	15,669,099
Exploration costs					
Consulting	-	102,610	138,177	-	240,787
Drilling	-	-	173,153	-	173,153
Exploration site	-	-	8,023	-	8,023
Geochemical	-	-	21,918	-	21,918
Mapping	-	920	461	-	1,381
	-	103,530	341,732	-	445,262
Acquisition costs					
Mining rights	12,006	-	-	4,569	16,575
Write-off	-	(37,735)	-	(88,295)	(126,030)
Balance at October 31, 2017	41,363	15,482,964	387,249	93,330	16,004,906

During fiscal 2017 the Company recorded total additions of \$461,837 (2016 - \$15,649,483) of which \$nil (2016 - \$15,619,814) was acquired on Acquisition of Tasman. During fiscal 2017 the Company wrote-off certain minor mineral claims of \$126,030 (2016 - \$nil).

Financial Condition / Capital Resources

During fiscal 2017 the Company recorded a net loss of \$2,920,028 and, as at October 31, 2017, the Company had an accumulated deficit of \$22,668,039 and working capital of \$3,490,760. 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, 2017 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Transactions and Balances

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

(a) During fiscal 2017 and 2016 the following compensation was incurred:

	2017 \$	2016 \$
Management fees - Mr. Way, President, CEO and director	199,992	199,992
Consulting fees - Mr. Hudson, Chairman and director	16,000	12,000
Consulting fees - Mr. DeMare, CFO ⁽¹⁾	19,500	22,000
Consulting fees - Mr. Saxon, director ⁽²⁾	84,500	12,000
Consulting fees - Mr. Ranggard, former director ⁽³⁾	62,475	17,600
Consulting fees - Mr. Atkinson, former director ⁽⁴⁾	-	11,000
Consulting fees - Mr. Kozłowski, director ⁽⁵⁾	7,500	-
Consulting fees - Ms. Bermudez, Corporate Secretary	25,840	20,813

	2017 \$	2016 \$
Share-based compensation - Mr. Way	-	243,000
Share-based compensation - Mr. DeMare	-	120,150
Share-based compensation - Mr. Hudson	-	108,000
Share-based compensation - Mr. Saxon	-	148,500
Share-based compensation - Mr. Ranggard	-	162,000
	<u>415,807</u>	<u>1,077,055</u>

- (1) Paid to Chase Management Ltd. ("Chase") a private corporation owned by Mr. DeMare.
- (2) Mr. Saxon received \$16,500 for director fees and \$68,500 for being a member of the technical advisory committee.
- (3) Mr. Ranggard received \$4,500 for director fees and \$57,975 for being a member of the legal advisory committee. Mr. Ranggard resigned as a director on July 11, 2017
- (4) Mr. Atkinson resigned as a director on August 25, 2016.
- (5) Mr. Kozlowski was appointed as a director on August 2, 2017.

As at October 31, 2017 - \$89,860 (\$68,368) remained unpaid.

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

- (ii) During fiscal 2017 the Company incurred \$54,000 (2016 - \$29,400) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$4,020 (2016 - \$4,020) for rent. As at October 31, 2017, \$4,170 (2016 - \$4,470) remained unpaid. During fiscal 2016 the Company recorded \$28,350 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 26, 2018, there were 88,904,180 issued and outstanding common shares, 7,736,740 warrants outstanding with exercise prices ranging from \$0.70 to \$0.80 per share and 8,670,000 share options outstanding with exercise prices ranging from \$0.39 to \$0.64 per share.