
LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JANUARY 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	January 31, 2017 \$	October 31, 2016 \$
ASSETS			
Current assets			
Cash		3,770,857	2,698,836
GST/VAT receivables		35,551	36,885
Amounts receivable		33,891	40,463
Prepaid expenses and other		136,752	115,769
Inventory		93,017	93,600
Plant stores and supplies		<u>92,918</u>	<u>93,501</u>
Total current assets		<u>4,162,986</u>	<u>3,079,054</u>
Non-current assets			
Exploration and evaluation assets	5	15,636,282	15,669,099
Property, plant and equipment	6	16,985,114	17,178,350
Reclamation deposit	7	<u>108,927</u>	<u>111,248</u>
Total non-current assets		<u>32,730,323</u>	<u>32,958,697</u>
TOTAL ASSETS		<u>36,893,309</u>	<u>36,037,751</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>580,219</u>	<u>642,413</u>
Non-current liabilities			
Provision for site restoration	7	7,347,331	7,499,937
Property acquisition obligation	6	<u>595,356</u>	<u>573,000</u>
Total non-current liabilities		<u>7,942,687</u>	<u>8,072,937</u>
TOTAL LIABILITIES		<u>8,522,906</u>	<u>8,715,350</u>
SHAREHOLDERS' EQUITY			
Share capital	8	44,125,272	42,313,118
Share-based payments reserve		4,740,654	4,757,294
Deficit		<u>(20,495,523)</u>	<u>(19,748,011)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>28,370,403</u>	<u>27,322,401</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>36,893,309</u>	<u>36,037,751</u>

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 13

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 29, 2017 and are signed on its behalf by:

/s/ Blair Way
Blair Way
Director

/s/ Nick DeMare
Nick DeMare
Director

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

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

	Notes	Three Months Ended	
		January 31,	
		2017	2016
		\$	\$
Expenses			
Accounting and administration	9(b)(ii)	30,162	20,133
Accretion of property acquisition obligation		-	21,804
Accretion of provision for site restoration	7	18,734	9,856
Audit		5,892	31,515
Bank charges		1,540	746
Consulting		286,835	163,829
Corporate development		32,373	1,658
Depreciation		24,702	23,366
Equipment rentals and related		3,280	9,189
Fuel, electricity and utilities		17,739	12,425
Insurance		2,728	5,082
Legal		3,898	783
Management fees	9(a)	49,998	49,998
Office		13,626	14,170
Plant maintenance		2,035	9,760
Plant supplies and consumables		3,775	8,258
Regulatory		6,625	1,650
Rent		1,005	1,005
Salaries, compensation and benefits		94,830	184,170
Shareholder costs		3,293	-
Transfer agent		14,390	1,234
Travel		51,936	22,446
		<u>669,396</u>	<u>593,077</u>
Loss before other items		<u>(669,396)</u>	<u>(593,077)</u>
Other items			
Interest income		8,021	6,957
Foreign exchange		(54,828)	(8,844)
Cost recoveries		3,247	21,030
Write-off of exploration and evaluation assets		(34,556)	-
		<u>(78,116)</u>	<u>19,143</u>
Comprehensive loss for the period		<u>(747,512)</u>	<u>(573,934)</u>
Loss per share - basic and diluted		<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>82,177,596</u>	<u>46,820,730</u>

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

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Three Months Ended January 31, 2017					
Share Capital		Share-Based Payments Reserve	Deficit	Total Equity	
Number of Shares	Amount \$				
Balance at October 31, 2016	80,036,678	42,313,118	4,757,294	(19,748,011)	27,322,401
Common shares issued for:					
Cash - private placement	4,004,222	1,801,900	-	-	1,801,900
Cash - share options exercised	60,000	30,800	-	-	30,800
Share issue costs	-	(47,274)	10,088	-	(37,186)
Transfer on exercise of share options	-	26,728	(26,728)	-	-
Comprehensive loss for the period	-	-	-	(747,512)	(747,512)
Balance at January 31, 2017	84,100,900	44,125,272	4,740,654	(20,495,523)	28,370,403

Three Months Ended January 31, 2016					
Share Capital		Share-Based Payments Reserve	Deficit	Total Equity	
Number of Shares	Amount \$				
Balance at October 31, 2015	46,820,730	25,763,144	3,152,810	(16,293,117)	12,622,837
Comprehensive loss for the period	-	-	-	(573,934)	(573,934)
Balance at January 31, 2016	46,820,730	25,763,144	3,152,810	(16,867,051)	12,048,903

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

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three Months Ended	
	January 31,	
	2017	2016
	\$	\$
Operating activities		
Comprehensive loss for the period	(747,512)	(573,934)
Adjustments for:		
Accretion of property acquisition obligation	-	21,804
Accretion of provision for site restoration	18,734	9,856
Depreciation	24,702	23,366
Foreign exchange	25,843	32,168
Write-off of exploration and evaluation assets	34,556	-
Changes in non-cash working capital items:		
Amounts receivable	6,572	6,392
GST/VAT receivables	1,334	(8,994)
Prepaid expenses and deposit	(20,983)	(33,229)
Inventory	-	(6,776)
Plant stores and supplies	-	(6,553)
Accounts payable and accrued liabilities	(62,194)	(8,531)
Net cash used in operating activities	<u>(718,948)</u>	<u>(544,431)</u>
Investing activities		
Additions to property, plant and equipment	(2,806)	(16,401)
Expenditures on exploration and evaluation assets	(1,739)	(6,637)
Net cash used in investing activities	<u>(4,545)</u>	<u>(23,038)</u>
Financing activities		
Issuance of common shares	1,832,700	-
Share issue costs	(37,186)	-
Net cash provided by financing activities	<u>1,795,514</u>	<u>-</u>
Net change in cash	1,072,021	(567,469)
Cash at beginning of period	<u>2,698,836</u>	<u>3,214,185</u>
Cash at end of period	<u>3,770,857</u>	<u>2,646,716</u>

Supplemental cash flow information - See Note 11

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2017
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a junior exploration company currently engaged in the operation of its 100% owned Woxna Graphite Mine located in central Sweden. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "LEM" and 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 three months ended January 31, 2017 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. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. 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 maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or modernizing the plant to produce value added production. In addition, as described in Note 4, in August 2016 the Company completed the acquisition of Tasman Metals Ltd. ("Tasman"). Tasman's primary asset is its Norra Kärr rare earth element deposit in Sweden and development of the Norra Kärr Property will require significant funds. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended October 31, 2016.

Basis of Measurement

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2017
(Unaudited - Expressed in Canadian Dollars)

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Flinders Holdings Limited (“Flinders Holdings”)	British Columbia	100%
Woxna Graphite AB (“Woxna”)	Sweden	100%
Tasman Metals Ltd.	British Columbia	100%
Tasman Metals AB	Sweden	100%

4. Tasman Acquisition

On August 25, 2016 the Company completed a statutory plan of arrangement (the “Arrangement”) and acquired all of the issued and outstanding common shares of Tasman Metals Ltd. (“Tasman”), under which the Company issued 33,070,948 common shares with a fair value of \$16,535,474. The Company also granted 520,000 share options, exercisable at prices ranging from \$0.48 - \$2.94 per share, 147,953 compensation options exercisable at \$2.20 per share and 2,467,716 warrants, exercisable at \$3.00 per share, in exchange for Tasman share options, compensation options and warrants. The fair values of the share options, compensation options and warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.51% to 0.56%; estimated volatility of 97% to 108%; expected lives of 0.02 year to 2.25 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%. The values assigned to the options, compensation options and warrants were \$91,599, \$1,162 and \$6,473, respectively.

The Company incurred \$94,989 for legal, filing and other costs associated with the transactions conducted pursuant to the Arrangement. These transactions costs were capitalized to exploration and evaluation assets.

The Arrangement was accounted for as an acquisition of the net assets of Tasman, as follows:

	\$
Common shares issued	16,535,474
Share options granted	91,599
Compensation options granted	1,162
Warrants issued	6,473
Costs incurred	94,989
Acquisition cost	<u>16,729,697</u>

The Arrangement cost was generally allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. The results of operations were recorded from the effective date of purchase.

Cost of the net assets acquired consists of:

	\$
Net working capital	1,062,525
Property, plant and equipment	15,489
Exploration and evaluation assets	15,619,814
Reclamation deposit	31,869
Net assets acquired	<u>16,729,697</u>

On closing of the Arrangement, Tasman became a wholly-owned subsidiary of the Company.

Certain officers and directors of the Company are also officers and directors of Tasman.

LEADING EDGE MATERIALS CORP.
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5. Exploration and Evaluation Assets

	As at January 31, 2017			As at October 31, 2016		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Graphite Exploration						
Concessions	30,740	4,706	35,446	24,651	4,706	29,357
Norra Kärr	15,373,173	882	15,374,055	15,417,169	-	15,417,169
Other	211,842	14,939	226,781	208,076	14,497	222,573
	<u>15,615,755</u>	<u>20,527</u>	<u>15,636,282</u>	<u>15,649,896</u>	<u>19,203</u>	<u>15,669,099</u>
			Graphite Exploration Concessions \$	Norra Kärr \$	Other \$	Total \$
Balance at October 31, 2015			<u>19,616</u>	<u>-</u>	<u>-</u>	<u>19,616</u>
Exploration costs						
Consulting			-	-	11,008	11,008
Geochemical			-	-	3,489	3,489
			<u>-</u>	<u>-</u>	<u>14,497</u>	<u>14,497</u>
Acquisition costs						
Acquired on Acquisition (Note 4)			-	15,417,169	202,645	15,619,814
Mining rights			9,741	-	5,431	15,172
			<u>9,741</u>	<u>15,417,169</u>	<u>208,076</u>	<u>15,634,986</u>
Balance at October 31, 2016			<u>29,357</u>	<u>15,417,169</u>	<u>222,573</u>	<u>15,669,099</u>
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>

- (a) In February 2012 the Company completed the acquisition of Flinders Holdings Limited, which owns Woxna Graphite AB (“Woxna”). Woxna holds a 100% interest in the Woxna Graphite Mine, comprising four exploitation concessions, known as Kringelgruven, Mattsmyra, Gropabo and Mansberg. The Woxna Graphite Mine is located in Ovanaker Municipality, Gavleborg County, central Sweden.

In 1993 Woxna entered into agreements under which it acquired:

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

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5. Exploration and Evaluation Assets (continued)

Payments of the additional considerations are to be made to a Swedish governmental agency and will be based on annual production, at a rate of SEK 20 per metric ton processed, and is payable only if profits are generated from the individual concessions. No production has commenced on the Mattsmyra, Gropabo and Mansberg concessions and the additional payments are considered to be contingent amounts and will only be recognized as obligations when production commences on these concessions.

During fiscal 2014 the technical feasibility and commercial viability of the Kringelgruven concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringelgruven concession to the development stage of mining. Accordingly the costs on the exploration and evaluation assets attributed to the Kringelgruven concession and the Woxna Graphite Mine were reclassified to property, plant and equipment. See also Note 6.

(b) Norra Kärr

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

During the three months ended January 31, 2017 the Company wrote-off \$34,556 on relinquishment of certain minor claims.

(c) Other Properties

The Company holds a 100% interest in six exploration licenses (the “Tungsten Properties”) located in south-central Sweden. The Company will issue 25,000 common shares upon commencement of production from any of the Tungsten Properties.

The Company has also staked claims in Sweden and Finland.

6. Property, Plant and Equipment

Cost:	Vehicles	Equipment and Tools	Building	Manufacturing and Processing Facility	Mineral Property Acquisition and Development Costs	Total
	\$	\$	\$	\$	\$	\$
Balance at October 31, 2015	163,133	264,699	344,139	7,567,878	7,452,361	15,792,210
Additions	-	-	-	-	16,401	16,401
Acquisition (Note 4)	-	15,489	-	-	-	15,489
Disposal	(81,986)	-	-	-	-	(81,986)
Adjustment to site restoration	-	-	-	-	1,823,418	1,823,418
Balance at 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 at January 31, 2017	81,147	280,188	344,139	7,567,878	9,123,646	17,396,998

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

6. Property, Plant and Equipment (continued)

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Accumulated Depreciation:						
Balance at 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 at 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 at January 31, 2017	(46,913)	(227,023)	(32,979)	(104,969)	-	(411,884)
Carrying Value:						
Balance at October 31, 2016	39,162	62,421	316,662	7,467,925	9,292,180	17,178,350
Balance at January 31, 2017	34,234	53,165	311,160	7,462,909	9,123,646	16,985,114

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

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringelgruven concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. The discounted value has been accreted to the estimated future value.

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

	\$
Balance at October 31, 2015	513,033
Accretion of discounted cash flows	108,465
Foreign exchange adjustment	(48,498)
Balance at October 31, 2016	573,000
Foreign exchange adjustment	22,356
Balance at January 31, 2017	595,356

7. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruven concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 41,500,000 to be incurred over the next 20 years with the majority of the costs to be incurred between 2036 and 2037.

LEADING EDGE MATERIALS CORP.
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7. Provision for Site Restoration (continued)

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.71% (October 31, 2016 - 0.25%) and an inflation factor of 1.6% (October 31, 2016 - 1.20%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	\$
Balance at October 31, 2015	5,638,374
Accretion	38,145
Revision of estimates	2,021,433
Foreign exchange adjustment	<u>(198,015)</u>
Balance at October 31, 2016	7,499,937
Accretion	18,734
Revision of estimates	123,472
Foreign exchange adjustment	<u>(294,812)</u>
Balance at January 31, 2017	<u>7,347,331</u>

As at January 31, 2017 reclamation deposits of \$108,927 (SEK 731,844) has been paid and accounted for as a non-current deposit. The reclamation deposits were placed as security for site restoration on the Kringelgruven concession and on certain exploration and evaluation assets.

As at January 31, 2017 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

8. Share Capital

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

During the three months ended January 31, 2017 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. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one additional common share, at a price of \$0.70 per share, expiring December 14, 2019. The Company paid finders' fees of \$13,757 cash and issued 30,570 finders' warrants, with each finders' warrant having the same terms as the warrants issued under the private placement. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.81%; expected volatility of 97%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the underlying finders' warrants was \$10,088.

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

No equity financing was conducted by the Company during fiscal 2016.

LEADING EDGE MATERIALS CORP.
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(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) *Compensation Options*

A summary of the Company's compensation options at January 31, 2017 and 2016 and the changes for the three months ended on those dates is presented below:

	2017		2016	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of period	147,953	2.20	-	-

The following table summarizes information about the compensation options outstanding and exercisable at January 31, 2017:

Number	Exercise Price \$	Expiry Date
96,000	2.20	February 11, 2017
51,953	2.20	March 31, 2017
147,953		

See also Note 13.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at January 31, 2017 and 2016 and the changes for the three months ended on those dates is as follows:

	2017		2016	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	2,467,716	3.00	9,570,000	0.75
Issued	4,034,792	0.70	-	-
Balance end of period	6,502,508	1.57	9,570,000	0.75

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at January 31, 2017:

Number	Exercise Price \$	Expiry Date
1,945,679	3.00	February 11, 2017
522,037	3.00	March 31, 2017
4,034,792	0.70	December 14, 2019
6,502,508		

See also Note 13.

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8. Share Capital (continued)

(d) *Share Option Plan*

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

During the three months ended January 31, 2017 and 2016 the Company did not grant any share options.

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

A summary of the Company's share options at January 31, 2017 and 2016 and the changes for the three months ended on those dates is as follows:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	7,977,500	0.43	1,850,000	0.51
Exercised	(60,000)	0.51	-	-
Expired	<u>(220,000)</u>	0.58	<u>-</u>	-
Balance end of period	<u>7,697,500</u>	0.43	<u>1,850,000</u>	0.51

The following table summarizes information about the share options outstanding and exercisable at January 31, 2017

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
505,000	505,000	0.52	March 28, 2017
50,000	50,000	0.65	March 28, 2017
50,000	50,000	2.94	April 7, 2017
67,500	67,500	1.20	October 7, 2017
300,000	300,000	0.48	December 2, 2018
<u>6,725,000</u>	<u>5,575,000</u>	0.39	October 14, 2021
<u>7,697,500</u>	<u>6,547,500</u>		

See also Note 13.

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9. Related Party Disclosures

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 three months ended January 31, 2017 and 2016 the following amounts were incurred with respect to the Company's President and the Chief Financial Officer ("CFO"):

	2017 \$	2016 \$
Management fees - President	49,998	49,998
Consulting fees - CFO	<u>3,000</u>	<u>10,500</u>
	<u>52,998</u>	<u>60,498</u>

As at January 31, 2017, \$13,500 (October 31, 2016 - 2015 - \$13,500) remained unpaid and has been included in accounts payable and accrued liabilities.

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

(b) *Transactions with other Related Parties*

(i) During the three months ended January 31, 2017 and 2016 the following amounts were incurred with respect to current and former non-management directors of the Company:

	2017 \$	2016 \$
Consulting fees	<u>41,550</u>	<u>18,000</u>

As at January 31, 2017, \$67,050 (October 31, 2016 - \$48,455) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the three months ended January 31, 2017 the Company incurred \$21,000 (2016 - \$7,500) for services provided by Chase personnel, exclusive of the CFO, and \$1,005 (2016 - \$1,005) for rent. As at January 31, 2017, \$14,170 (October 31, 2016 - \$4,470) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the three months ended January 31, 2017 the Company incurred \$4,763 (2016 - \$1,400) for shared administration costs with public companies with common directors and officers. As at January 31, 2017, \$3,750 (October 31, 2016 - \$6,413) remained unpaid and has been included in accounts payable and accrued liabilities.

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10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	January 31, 2017 \$	October 31, 2016 \$
Cash	FVTPL	3,770,857	2,698,836
Amounts receivable	Loans and receivables	33,891	40,463
Reclamation deposit	Loans and receivables	108,927	111,248
Accounts payable and accrued liabilities	Other financial liabilities	(580,219)	(642,413)
Property acquisition obligation	Other financial liabilities	(595,356)	(573,000)

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

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

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

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

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amount for the property acquisition obligation approximates its fair value. The fair value is determined using a discounted cash flow approach based on the use of directly and indirectly observable inputs on reporting dates. A market rate of interest of 17% and payment dates of 2016 and 2017 were the assumptions. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1.

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

Credit Risk

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

Liquidity Risk

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

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10. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at January 31, 2017				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	3,770,857	3,770,857	3,770,857	-	-
Amounts receivable	33,891	33,891	33,891	-	-
Reclamation deposit	108,927	108,927	-	-	108,927
Accounts payable and accrued liabilities	(580,219)	(580,219)	(580,219)	-	-
Property acquisition obligation	(595,356)	(595,356)	-	(595,356)	-

	Contractual Maturity Analysis at October 31, 2016				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	2,698,836	2,698,836	2,698,836	-	-
Amounts receivable	40,463	40,463	40,463	-	-
Reclamation deposit	111,248	111,248	-	-	111,248
Accounts payable and accrued liabilities	(642,413)	(642,413)	(642,413)	-	-
Property acquisition obligation	(573,000)	(299,546)	-	(273,454)	-

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At January 31, 2017, 1 Canadian Dollar was equal to SEK 6.72.

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	878,568	130,739
Amounts receivable	203,726	30,316
VAT receivable	81,884	12,185
Inventories	624,948	93,017
Plant stores and supplies	624,288	92,918
Reclamation deposit	731,844	108,927
Accounts payable and accrued liabilities	(968,358)	(144,101)
Property acquisition obligation	(4,000,000)	(595,356)
	<u>(1,823,100)</u>	<u>(271,355)</u>

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10. Financial Instruments and Risk Management (continued)

Based on the net exposures as of January 31, 2017 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$27,000 higher or lower.

The Company also maintains a US Dollar bank account to facilitate the transfer of funds and payment of US Dollar denominated accounts payable. As at January 31, 2017 the balance of US Dollars held by the Company was insignificant.

Capital Management

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

11. Supplemental Cash Flow Information

During the three months ended January 31, 2017 and 2016 non-cash activities were conducted by the Company as follows:

	2017 \$	2016 \$
Operating activities		
Provision for site restoration	-	847,796
Investing activities		
Revisions of estimates on property, plant and equipment	(171,340)	847,796
Property, plant and equipment	171,340	-
	-	847,796
Financing activities		
Issuance of common shares	26,728	-
Share issue costs	(10,088)	-
Share-based payments reserve	(16,640)	-
	-	-

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12. Segmented Information

The Company is involved in the exploration and development of resource properties in Sweden, with corporate operations in Canada and accordingly, has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

	<u>As a January 31, 2017</u>		
	<u>Corporate Canada \$</u>	<u>Mineral Operations Sweden \$</u>	<u>Total \$</u>
Current assets	3,772,453	390,533	4,162,986
Exploration and evaluation assets	-	15,636,282	15,636,282
Property, plant and equipment	-	16,985,114	16,985,114
Reclamation deposit	-	108,927	108,927
	<u>3,772,453</u>	<u>36,502,776</u>	<u>36,893,309</u>
	<u>As a October 31, 2016</u>		
	<u>Corporate Canada \$</u>	<u>Mineral Operations Sweden \$</u>	<u>Total \$</u>
Current assets	2,653,072	425,982	3,079,054
Exploration and evaluation assets	-	15,669,099	15,669,099
Property, plant and equipment	-	17,178,350	17,178,350
Reclamation deposit	-	111,248	111,248
	<u>2,653,072</u>	<u>33,384,679</u>	<u>36,037,751</u>

13. Events after the Reporting Period

- (a) Subsequent to January 31, 2017:
- (i) share options to purchase 485,000 common shares, compensation options to purchase 96,000 common shares and warrants to purchase 1,945,679 common shares expired without exercise; and
 - (ii) the Company issued 70,000 common shares on the exercise of share options for proceeds of \$36,400.