
LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
APRIL 30, 2018

(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	April 30, 2018 \$	October 31, 2017 \$
ASSETS			
Current assets			
Cash		2,240,105	3,979,914
GST/VAT receivables		56,987	111,785
Amounts receivable		20,438	24,704
Prepaid expenses and other		209,155	183,833
Inventory		91,747	96,175
Plant stores and supplies		<u>89,988</u>	<u>95,928</u>
Total current assets		<u>2,708,420</u>	<u>4,492,339</u>
Non-current assets			
Exploration and evaluation assets	4	16,210,312	16,004,906
Property, plant and equipment	5	17,113,724	17,305,961
Reclamation deposit	6	<u>107,289</u>	<u>112,522</u>
Total non-current assets		<u>33,431,325</u>	<u>33,423,389</u>
TOTAL ASSETS		<u>36,139,745</u>	<u>37,915,728</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>666,870</u>	<u>1,001,579</u>
Non-current liabilities			
Provision for site restoration	6	7,569,975	7,711,413
Property acquisition obligation	5	<u>587,228</u>	<u>618,908</u>
Total non-current liabilities		<u>8,157,203</u>	<u>8,330,321</u>
TOTAL LIABILITIES		<u>8,824,073</u>	<u>9,331,900</u>
SHAREHOLDERS' EQUITY			
Share capital	7	46,973,379	46,748,979
Share-based payments reserve		5,579,613	4,502,888
Deficit		<u>(25,237,320)</u>	<u>(22,668,039)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>27,315,672</u>	<u>28,583,828</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>36,139,745</u>	<u>37,915,728</u>

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on June 21, 2018 and are signed on its behalf by:

/s/ Blair Way
Blair Way
Director

/s/ Michael Hudson
Michael Hudson
Director

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

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

	Notes	Three Months Ended April 30,		Six Months Ended April 30,	
		2018 \$	2017 \$	2018 \$	2017 \$
Expenses					
Accounting and administration	8(b)	27,445	27,459	62,045	57,621
Accretion of provision for site restoration	6	15,383	18,931	30,766	37,665
Audit		44,898	45,268	53,822	51,160
Bank charges		723	1,738	2,072	3,278
Consulting		6,998	9,646	11,905	16,059
Corporate development		40,160	86,300	108,849	130,188
Depreciation	5	8,763	22,804	20,033	47,506
Directors and officers compensation	8(a)	113,118	93,710	226,656	193,021
Environmental		12,110	-	25,517	2,928
Equipment rentals and related		251	5,483	4,724	8,763
Fuel, electricity and utilities		37,510	24,333	69,097	42,072
Insurance		4,425	3,321	8,780	6,049
Investment conferences		6,190	37,531	15,544	51,690
Legal		43,770	4,541	139,798	8,439
Marketing		-	15,391	1,028	143,742
Office		13,547	11,460	34,955	25,086
Plant maintenance		21,004	13,794	25,132	15,829
Plant supplies and consumables		6,387	2,822	12,536	6,597
Regulatory		22,224	4,154	150,864	10,779
Rent		1,005	1,005	2,010	2,010
Research and development		54,568	62,965	88,678	137,121
Salaries, compensation and benefits		109,679	88,730	234,699	183,560
Share-based compensation	7(d)	-	-	1,168,525	-
Shareholder costs		17,345	5,132	18,420	8,425
Transfer agent		9,318	3,228	18,312	17,618
Travel		48,543	71,276	109,838	123,212
		<u>665,364</u>	<u>661,022</u>	<u>2,644,605</u>	<u>1,330,418</u>
Loss before other items		<u>(665,364)</u>	<u>(661,022)</u>	<u>(2,644,605)</u>	<u>(1,330,418)</u>
Other items					
Interest and other income		10,064	8,001	23,464	16,022
Foreign exchange		4,636	21,686	50,461	(33,142)
Cost recoveries		17,808	-	20,983	3,247
Impairment of exploration and evaluation assets	4(d)	-	(89,436)	(19,584)	(123,992)
		<u>32,508</u>	<u>(59,749)</u>	<u>75,324</u>	<u>(137,865)</u>
Comprehensive loss for the period		<u>(632,856)</u>	<u>(720,771)</u>	<u>(2,569,281)</u>	<u>(1,468,283)</u>
Loss per share - basic and diluted		<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.03)</u>	<u>\$(0.02)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>88,979,736</u>	<u>84,168,317</u>	<u>88,920,847</u>	<u>83,150,378</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
(Unaudited - Expressed in Canadian Dollars)

Six Months Ended April 30, 2018					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at October 31, 2017	88,704,180	46,748,979	4,502,888	(22,668,039)	28,583,828
Common shares issued for:					
Cash - share options exercised	340,000	132,600	-	-	132,600
Transfer on exercise of share options	-	91,800	(91,800)	-	-
Share-based compensation	-	-	1,168,525	-	1,168,525
Comprehensive loss for the period	-	-	-	<u>(2,569,281)</u>	<u>(2,569,281)</u>
Balance at April 30, 2018	<u>89,044,180</u>	<u>46,973,379</u>	<u>5,579,613</u>	<u>(25,237,320)</u>	<u>27,315,672</u>

Six Months Ended April 30, 2017						
	Share Capital		Share Subscriptions Received \$	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	242,500	112,200	-	-	-	112,200
Share subscriptions received	-	-	1,010,000	-	-	1,010,000
Share issue costs	-	(47,274)	-	10,088	-	(37,186)
Transfer on exercise of share options	-	90,738	-	(90,738)	-	-
Comprehensive loss for the period	-	-	-	-	<u>(1,468,283)</u>	<u>(1,468,283)</u>
Balance at April 30, 2017	<u>84,283,400</u>	<u>44,270,682</u>	<u>1,010,000</u>	<u>4,676,644</u>	<u>(21,216,294)</u>	<u>28,741,032</u>

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
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	April 30,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(2,569,281)	(1,468,283)
Adjustments for:		
Accretion of provision for site restoration	30,766	37,665
Depreciation	20,033	47,506
Foreign exchange	(16,079)	36,389
Share-based compensation	1,168,525	-
Impairment of exploration and evaluation assets	19,584	123,992
Changes in non-cash working capital items:		
Amounts receivable	4,266	10,364
GST/VAT receivables	54,798	(16,626)
Prepaid expenses and deposit	(25,322)	(30,449)
Accounts payable and accrued liabilities	(334,709)	(29,795)
Net cash used in operating activities	<u>(1,647,419)</u>	<u>(1,289,237)</u>
Investing activities		
Additions to property, plant and equipment	-	(2,806)
Expenditures on exploration and evaluation assets	(224,990)	(123,210)
Net cash provided by (used in) investing activities	<u>(224,990)</u>	<u>(126,016)</u>
Financing activities		
Issuance of common shares	132,600	1,914,100
Share subscriptions received	-	1,010,000
Share issue costs	-	(37,186)
Net cash provided by financing activities	<u>132,600</u>	<u>2,886,914</u>
Net change in cash	(1,739,809)	1,471,661
Cash at beginning of period	<u>3,979,914</u>	<u>2,698,836</u>
Cash at end of period	<u>2,240,105</u>	<u>4,170,497</u>

Supplemental cash flow information - See Note 10

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 SIX MONTHS ENDED APRIL 30, 2018
(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", on the OTCQB under the symbol "LEMIF" and on NASDAQ First North under the symbol "LEMSE". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During the six months ended April 30, 2018 the Company recorded a net loss of \$2,569,281 and, as at April 30, 2018, the Company had an accumulated deficit of \$25,237,320 and working capital of \$2,041,550. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company 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 will need additional capital to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production. In addition the Norra Kärr Property will require significant funds for development. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These 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, 2017, 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, 2017.

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.

Comparative Figures

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2018
(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%
Acp Akku Oy	Finland	100%

4. Exploration and Evaluation Assets

	<u>As at April 30, 2018</u>			<u>As at October 31, 2017</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Graphite Exploration						
Concessions	61,667	4,706	66,373	36,657	4,706	41,363
Norra Kärr	15,393,170	272,030	15,665,200	15,384,602	98,362	15,482,964
Bergby	45,517	355,944	401,461	45,517	341,732	387,249
Other	68,714	8,564	77,278	86,008	7,322	93,330
	<u>15,569,068</u>	<u>641,244</u>	<u>16,210,312</u>	<u>15,552,784</u>	<u>452,122</u>	<u>16,004,906</u>

LEADING EDGE MATERIALS CORP.
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FOR THE SIX MONTHS ENDED APRIL 30, 2018
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4. Exploration and Evaluation Assets (continued)

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
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
Geochemical	-	-	21,918	-	21,918
Exploration site	-	-	8,023	-	8,023
Mapping	-	920	461	-	1,381
	-	103,530	341,732	-	445,262
Acquisition costs					
Mining rights	12,006	-	-	4,569	16,575
Impairment	-	(37,735)	-	(88,295)	(126,030)
Balance at October 31, 2017	41,363	15,482,964	387,249	93,330	16,004,906
Exploration costs					
Consulting	-	14,289	-	-	14,289
Environmental	-	151,188	-	-	151,188
Geochemical	-	-	5,430	-	5,430
Geophysical	-	8,191	7,721	1,242	17,154
Exploration site	-	-	1,061	-	1,061
	-	173,668	14,212	1,242	189,122
Acquisition costs					
Mining rights	25,010	8,568	-	2,290	35,868
Impairment	-	-	-	(19,584)	(19,584)
Balance at April 30, 2018	66,373	15,665,200	401,461	77,278	16,210,312

(a) *Graphite Exploration Concessions*

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

In 1993 Woxna entered into agreements under which it acquired:

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

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.

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4. Exploration and Evaluation Assets (continued)

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

(b) *Norra Kärr*

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

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

(c) *Bergby*

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

(d) *Other Properties*

The Company also holds minor claims in Sweden and Finland. During the six months ended April 30, 2018 the Company recorded an impairment charge of \$19,584 (fiscal 2017 - \$88,295) on the relinquishment of certain of the claims in Sweden.

See also Note 12(b).

5. 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, 2016	81,147	280,188	344,139	7,567,878	9,292,180	17,565,532
Additions	-	6,830	-	-	2,806	9,636
Adjustment to site restoration	-	-	-	-	192,170	192,170
Balance at October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338
Adjustment to site restoration	-	-	-	-	(172,204)	(172,204)
Balance at April 30, 2018	<u>81,147</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>9,314,952</u>	<u>17,595,134</u>
Accumulated Depreciation:						
Balance at October 31, 2016	(41,985)	(217,767)	(27,477)	(99,953)	-	(387,182)
Depreciation	<u>(11,466)</u>	<u>(30,457)</u>	<u>(22,007)</u>	<u>(10,265)</u>	-	<u>(74,195)</u>
Balance at October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	<u>(3,360)</u>	<u>(5,667)</u>	<u>(11,006)</u>	-	-	<u>(20,033)</u>
Balance at April 30, 2018	<u>(56,811)</u>	<u>(253,891)</u>	<u>(60,490)</u>	<u>(110,218)</u>	-	<u>(481,410)</u>

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5. Property, Plant and Equipment (continued)

Carrying Value:	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Balance at October 31, 2017	<u>27,696</u>	<u>38,794</u>	<u>294,655</u>	<u>7,457,660</u>	<u>9,487,156</u>	<u>17,305,961</u>
Balance at April 30, 2018	<u>24,336</u>	<u>33,127</u>	<u>283,649</u>	<u>7,457,660</u>	<u>9,314,952</u>	<u>17,113,724</u>

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

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

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

	\$
Balance at October 31, 2016	573,000
Accretion of discounted cash flows	41,185
Foreign exchange adjustment	<u>4,723</u>
Balance at October 31, 2017	618,908
Foreign exchange adjustment	<u>(31,680)</u>
Balance at April 30, 2018	<u>587,228</u>

6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruven concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 41,500,000 to be incurred over the next 19 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.71% (October 31, 2017 - 0.795%) and an inflation factor of 1.9% (October 31, 2017 - 1.8%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

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6. Provision for Site Restoration (continued)

	\$
Balance at October 31, 2016	7,499,937
Accretion	19,306
Revision of estimates	(14,212)
Foreign exchange adjustment	<u>206,382</u>
Balance at October 31, 2017	7,711,413
Accretion	30,766
Revision of estimates	(161,910)
Foreign exchange adjustment	<u>(10,294)</u>
Balance at April 30, 2018	<u>7,569,975</u>

As at April 30, 2018 reclamation deposits of \$107,289 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 April 30, 2018 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

7. Share Capital

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

No equity financing was conducted by the Company during the six months ended April 30, 2018.

During fiscal 2017 the Company completed the following private placements:

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

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

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

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7. **Share Capital** (continued)

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

(b) *Compensation Options*

A summary of the Company's compensation options at April 30, 2018 and 2017 and the changes for the six months ended on those dates is presented below:

	2018		2017	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	-	-	147,953	2.20
Expired	-	-	<u>(147,953)</u>	2.20
Balance, end of period	<u>-</u>	-	<u>-</u>	

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at April 30, 2018 and 2017 and the changes for the six months ended on those dates is as follows:

	2018		2017	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	7,736,740	0.75	2,467,716	3.00
Issued	-	-	4,034,792	0.70
Expired	-	-	<u>(2,467,716)</u>	3.00
Balance end of period	<u>7,736,740</u>	0.75	<u>4,034,792</u>	0.70

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at April 30, 2018:

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

(d) *Share Option Plan*

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

During the six months ended April 30, 2018 the Company granted share options to purchase 2,717,500 (2017 - nil) common shares and recorded compensation expense of \$1,168,525 (2017 - \$nil).

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7. Share Capital (continued)

The fair value of share options granted and vested the six months ended April 30, 2018 is estimated using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.65%; expected volatility of 85%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0% - 100%.

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during the six months ended April 30, 2018 was \$0.43 per share option.

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

A summary of the Company's share options at April 30, 2018 and 2017 and the changes for the six months ended on those dates is as follows:

	2018		2017	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	6,152,500	0.39	7,977,500	0.43
Issued	2,717,500	0.64	-	-
Exercised	(340,000)	0.39	(242,500)	0.46
Expired	-	-	(767,500)	0.73
Balance end of period	<u>8,530,000</u>	0.47	<u>6,967,500</u>	0.40

The following table summarizes information about the share options outstanding and exercisable at April 30, 2018:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
267,500	267,500	0.48	December 2, 2018
5,545,000	4,395,000	0.39	October 14, 2021
<u>2,717,500</u>	<u>2,717,500</u>	0.64	November 2, 2022
<u>8,530,000</u>	<u>7,380,000</u>		

8. Related Party Disclosures

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

(a) During the six months ended April 30, 2018 and 2017 the following compensation was incurred:

	2018 \$	2017 \$
Professional fees and salaries	226,656	193,021
Share-based compensation	<u>892,250</u>	<u>-</u>
	<u>1,118,906</u>	<u>193,021</u>

As at April 30, 2018 \$101,000 (October 31, 2017 - \$89,860) remained unpaid and has been included in accounts payable and accrued liabilities.

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8. Related Party Disclosures (continued)

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 April 30, 2018 the amount payable under the agreement would be \$199,992.

- (b) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the six months ended April 30, 2018 the Company incurred \$35,500 (2017 - \$33,000) for services provided by Chase personnel, exclusive of the CFO, and \$2,010 (2017 - \$2,010) for rent. As at April 30, 2018, \$6,170 (October 31, 2017 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

During the six months ended April 30, 2018 the Company also recorded \$53,750 (2017 - \$nil) for share-based compensation for share options granted to Chase.

9. 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	April 30, 2018 \$	October 31, 2017 \$
Cash	FVTPL	2,240,105	3,979,914
Amounts receivable	Loans and receivables	20,438	24,704
Reclamation deposit	Loans and receivables	107,289	112,522
Accounts payable and accrued liabilities	Other financial liabilities	(666,870)	(1,001,579)
Property acquisition obligation	Other financial liabilities	(587,228)	(618,908)

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

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

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

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

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

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

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9. Financial Instruments and Risk Management (continued)

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.

Contractual Maturity Analysis at April 30, 2018					
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	2,240,105	2,240,105	2,240,105	-	-
Amounts receivable	20,438	20,438	20,438	-	-
Reclamation deposit	107,289	-	-	-	107,289
Accounts payable and accrued liabilities	(666,870)	(666,870)	(666,870)	-	-
Property acquisition obligation	(587,228)	(587,228)	-	(587,228)	-
Contractual Maturity Analysis at October 31, 2017					
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	3,979,914	3,979,914	3,979,914	-	-
Amounts receivable	24,704	24,704	24,704	-	-
Reclamation deposit	112,522	112,522	-	-	112,522
Accounts payable and accrued liabilities	(1,001,579)	(1,001,579)	(1,001,579)	-	-
Property acquisition obligation	(618,908)	(618,908)	-	(618,908)	-

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 April 30, 2018, 1 Canadian Dollar was equal to SEK 6.81. Balances are as follows:

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9. Financial Instruments and Risk Management (continued)

	SEK	CDN \$ Equivalent
Cash	674,925	99,108
Amounts receivable	136,965	20,112
VAT receivable	145,790	21,408
Inventories	624,948	91,747
Plant stores and supplies	612,970	89,988
Reclamation deposit	730,814	107,289
Accounts payable and accrued liabilities	(1,167,105)	(171,381)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(587,228)</u>
	<u>(2,240,693)</u>	<u>(328,957)</u>

Based on the net exposures as of April 30, 2018 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$33,000 higher or lower.

Capital Management

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

10. Supplemental Cash Flow Information

During the six months ended April 30, 2018 and 2017 non-cash activities were conducted by the Company as follows:

	2018 \$	2017 \$
Operating activity		
Provision for site restoration	<u>(172,204)</u>	<u>813,526</u>
Investing activity		
Revisions of estimates on property, plant and equipment	<u>172,204</u>	<u>(813,526)</u>
Financing activities		
Issuance of common shares	91,800	90,738
Share-based payments reserve	<u>(91,800)</u>	<u>(90,738)</u>
	<u>-</u>	<u>-</u>

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11. Segmented Information

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

	As a April 30, 2018			
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Total \$
Current assets	2,317,867	385,602	4,951	2,708,420
Exploration and evaluation assets	-	16,205,743	4,569	16,210,312
Property, plant and equipment	-	17,113,724	-	17,113,724
Reclamation deposit	-	107,289	-	107,289
	<u>2,317,867</u>	<u>33,812,358</u>	<u>9,520</u>	<u>36,139,745</u>
	As a October 31, 2017			
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Total \$
Current assets	3,976,013	511,457	4,869	4,492,339
Exploration and evaluation assets	-	16,000,337	4,569	16,004,906
Property, plant and equipment	-	17,305,961	-	17,305,961
Reclamation deposit	-	112,522	-	112,522
	<u>3,976,013</u>	<u>33,930,277</u>	<u>9,438</u>	<u>37,915,728</u>

12. Events after the Reporting Period

- (a) Subsequent to April 30, 2018 the Company issued 60,000 common shares on the exercise of share options for proceeds of \$23,400.
- (b) On April 26, 2018 the Company entered into a share purchase agreement (the "Share Purchase Agreement") with an arm's length party under which a local company, LEM Resources SRL ("LEM Romania"), has been incorporated in Romania. Under the terms of the Share Purchase Agreement, the Company will hold an initial 51% interest in LEM Romania, and the right to acquire up to 91% interest, by making certain payments in shares of the Company (the "LEM Shares"), including an initial payment of 367,006 LEM Shares. Both parties are also working to finalize the terms of a shareholders joint venture agreement (the "Joint Venture Agreement"). Highlights of the Joint Venture Agreement will include:
- (i) payment of 550,509 LEM Shares following the granting of the exploration license within the Exploration Area;
 - (ii) payment of 734,012 LEM Shares on completion of a NI 43-101 resource estimate within the exploration area;
 - (iii) on completion of a positive pre-feasibility study, the Company shall progress to a 91% ownership of LEM Romania, with the payment of 917,515 LEM Shares;
 - (iv) the Company shall incur all exploration expenditure and shall free carry the local partner to production;
 - (v) a bonus payment of up to 1,835,031 LEM Shares will be issued should a historic resource of greater than 40,000 tonnes of contained cobalt at a cobalt equivalent grade greater than 0.75% be identified within the exploration area; and
 - (vi) a bonus payment of 2,202,037 LEM Shares will be issued should an NI43-101 resource be calculated of greater than 40,000 tonnes of contained cobalt at a cobalt equivalent grade greater than 0.75% within the exploration area.

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12. Events after the Reporting Period

A finder's fee of 5% is applicable and will also be paid in stages and concurrently with the issuance of the LEM Shares under the Joint Venture Agreement.

On May 28, 2018 the TSXV accepted for filing documentation submitted by the Company. Closing of the Share Purchase Agreement has not yet occurred.

LEM Romania holds a 100% interest in one non-exclusive prospecting permit (the "Permit") over a perimeter of 25.5 kilometres of land situated in the Bihor area of Romania. The Company has provided LEM Romania with a US \$50,000 bridge loan in order to fund expenditures requirements under the Permit.