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**LEADING EDGE MATERIALS CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
JANUARY 31, 2019

*(Unaudited - Expressed in Canadian Dollars)*

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**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, 2019 \$	October 31, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,703,107	1,184,420
GST/VAT receivables		50,672	56,448
Amounts receivable		334	658
Prepaid expenses and other		128,830	150,812
Inventory		90,726	90,307
Plant stores and supplies		<u>94,253</u>	<u>93,818</u>
<b>Total current assets</b>		<u>2,067,922</u>	<u>1,576,463</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	16,181,537	16,162,239
Property, plant and equipment	5	17,410,951	17,226,407
Reclamation deposit	6	105,996	105,540
Deferred costs	7(b)(i)	<u>-</u>	<u>4,797</u>
<b>Total non-current assets</b>		<u>33,698,484</u>	<u>33,498,983</u>
<b>TOTAL ASSETS</b>		<u>35,766,406</u>	<u>35,075,446</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>629,027</u>	<u>615,756</u>
<b>Non-current liabilities</b>			
Provision for site restoration	6	7,934,335	7,728,200
Property acquisition obligation	5	<u>580,692</u>	<u>578,012</u>
<b>Total non-current liabilities</b>		<u>8,515,027</u>	<u>8,306,212</u>
<b>TOTAL LIABILITIES</b>		<u>9,144,054</u>	<u>8,921,968</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	48,837,169	47,186,389
Share subscriptions received	7(b)(i)	-	410,000
Share-based payments reserve		5,688,586	5,611,413
Deficit		<u>(27,903,403)</u>	<u>(27,054,324)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>26,622,352</u>	<u>26,153,478</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>35,766,406</u>	<u>35,075,446</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 March 28, 2019 and are signed on its behalf by:

/s/ Mark Saxon  
Mark Saxon  
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 LOSS AND COMPREHENSIVE LOSS**  
*(Unaudited - Expressed in Canadian Dollars)*

	Notes	Three Months Ended	
		January 31,	
		2019	2018
		\$	\$
<b>Expenses</b>			
Accounting and administration	8(b)	28,923	34,600
Accretion of provision for site restoration	6	13,200	15,383
Audit		25,500	8,924
Bank charges		2,023	1,349
Consulting		20,916	4,907
Corporate development		45,134	68,689
Depreciation	5	8,391	11,270
Directors and officers compensation	8(a)	308,498	113,538
Environmental		1,108	13,407
Equipment rentals and related		1,647	4,473
Fuel, electricity and utilities		12,871	31,587
General exploration		17,374	-
Insurance		6,275	4,355
Investment conferences		3,765	9,354
Legal		2,778	96,028
Office		14,023	21,408
Plant maintenance		5,740	4,128
Plant supplies and consumables		885	6,149
Regulatory		34,992	128,640
Rent		10,514	1,005
Research and development		66,478	31,963
Salaries, compensation and benefits		106,582	125,020
Share-based compensation	7(d)	77,173	1,168,525
Shareholder costs		12,678	1,075
Transfer agent		2,618	8,994
Travel		20,595	61,295
		<u>850,681</u>	<u>1,976,066</u>
<b>Loss before other items</b>		<u>(850,681)</u>	<u>(1,976,066)</u>
<b>Other items</b>			
Interest and other income		9,731	13,400
Foreign exchange		(8,129)	45,825
Impairment of exploration and evaluation assets		-	(19,584)
		<u>1,602</u>	<u>39,641</u>
<b>Net loss and comprehensive loss for the period</b>		<u>(849,079)</u>	<u>(1,936,425)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.01)</u>	<u>\$(0.02)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>94,244,844</u>	<u>88,864,180</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)*

<b>Three Months Ended January 31, 2019</b>						
<b>Share Capital</b>		<b>Share Subscriptions Received</b> \$	<b>Share-Based Payments Reserve</b> \$	<b>Deficit</b> \$	<b>Total Equity</b> \$	
<b>Number of Shares</b>	<b>Amount</b> \$					
<b>Balance at October 31, 2018</b>	89,489,536	47,186,389	410,000	5,611,413	(27,054,324)	26,153,478
Common shares issued for:						
- private placement	6,027,855	1,687,799	(410,000)	-	-	1,277,799
Share issue costs	-	(37,019)	-	-	-	(37,019)
Share-based compensation	-	-	-	77,173	-	77,173
Net loss for the period	-	-	-	-	(849,079)	(849,079)
<b>Balance at January 31, 2019</b>	<b>95,517,391</b>	<b>48,837,169</b>	<b>-</b>	<b>5,688,586</b>	<b>(27,903,403)</b>	<b>26,622,352</b>

<b>Three Months Ended January 31, 2018</b>					
<b>Share Capital</b>		<b>Share-Based Payments Reserve</b> \$	<b>Deficit</b> \$	<b>Total Equity</b> \$	
<b>Number of Shares</b>	<b>Amount</b> \$				
<b>Balance at October 31, 2017</b>	88,704,180	46,748,979	4,502,888	(22,668,039)	28,583,828
Common shares issued for:					
Cash - share options exercised	200,000	78,000	-	-	78,000
Transfer on exercise of share options	-	54,000	(54,000)	-	-
Share-based compensation	-	-	1,168,525	-	1,168,525
Comprehensive loss for the period	-	-	-	(1,936,425)	(1,936,425)
<b>Balance at January 31, 2018</b>	<b>88,904,180</b>	<b>46,880,979</b>	<b>5,617,413</b>	<b>(24,604,464)</b>	<b>27,893,928</b>

*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)*

	Three Months Ended January 31,	
	2019 \$	2018 \$
<b>Operating activities</b>		
Net loss for the period	(849,079)	(1,936,425)
Adjustments for:		
Accretion of provision for site restoration	13,200	15,383
Depreciation	8,391	11,270
Foreign exchange	1,370	2,685
Share-based compensation	77,173	1,168,525
Impairment of exploration and evaluation assets	-	19,584
Changes in non-cash working capital items:		
Amounts receivable	324	14,519
GST/VAT receivables	5,776	14,109
Prepaid expenses and deposit	21,982	35,149
Accounts payable and accrued liabilities	(13,271)	(197,104)
<b>Net cash used in operating activities</b>	<u>(707,592)</u>	<u>(852,305)</u>
<b>Investing activity</b>		
Expenditures on exploration and evaluation assets	<u>(19,298)</u>	<u>(152,711)</u>
<b>Net cash used in investing activity</b>	<u>(19,298)</u>	<u>(152,711)</u>
<b>Financing activities</b>		
Issuance of common shares	1,277,799	78,000
Share issue costs	<u>(32,222)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>1,245,577</u>	<u>78,000</u>
<b>Net change in cash</b>	518,687	(927,016)
<b>Cash at beginning of period</b>	<u>1,184,420</u>	<u>3,979,914</u>
<b>Cash at end of period</b>	<u>1,703,107</u>	<u>3,052,898</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 THREE MONTHS ENDED JANUARY 31, 2019**  
*(Unaudited - Expressed in Canadian Dollars)*

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**1. Nature of Operations and Going Concern**

The Company is a junior mining 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 three months ended January 31, 2019 the Company recorded a net loss of \$899,180 and, as at January 31, 2019, the Company had an accumulated deficit of \$27,953,504 and working capital of \$1,445,279. 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 maintains ongoing research and development to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs. 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, 2018, 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, 2018 other than the adoption of IFRS 9 - *Financial Instruments* ("IFRS 9").

***Changes in Accounting Policies - IFRS 9***

Effective November 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2019**  
*(Unaudited - Expressed in Canadian Dollars)*

**2. Basis of Preparation** (continued)

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

***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.

**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%
LEM Resources SRL ("LEM Romania")	Romania	51%

**4. Exploration and Evaluation Assets**

	<u>As at January 31, 2019</u>			<u>As at October 31, 2018</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	14,097	4,706	18,803	14,097	4,706	18,803
Norra Kärr	15,393,185	362,519	15,755,704	15,393,185	343,221	15,736,406
Bergby	49,791	357,239	407,030	49,791	357,239	407,030
	<u>15,457,073</u>	<u>724,464</u>	<u>16,181,537</u>	<u>15,457,073</u>	<u>705,166</u>	<u>16,162,239</u>



**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2019**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
<b>Balance at October 31, 2017</b>	41,363	15,482,964	391,523	89,056	16,004,906
<b>Exploration costs</b>					
Consulting	-	52,548	-	-	52,548
Environmental	-	155,389	-	-	155,389
Exploration site	-	-	1,035	-	1,035
Geochemical	-	-	5,345	-	5,345
Geological	-	17,634	9,127	-	26,761
Geophysical	-	-	-	1,231	1,231
Permitting	-	19,288	-	-	19,288
	-	244,859	15,507	1,231	261,597
<b>Acquisition costs</b>					
Mining rights	6,599	8,583	-	2,290	17,472
<b>Impairment</b>	(29,159)	-	-	(92,577)	(121,736)
<b>Balance at October 31, 2018</b>	18,803	15,736,406	407,030	-	16,162,239
<b>Exploration costs</b>					
Geological	-	10,152	-	-	10,152
Permitting	-	9,146	-	-	9,146
	-	19,298	-	-	19,298
<b>Balance at January 31, 2019</b>	18,803	15,755,704	407,030	-	16,181,537

(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.

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.

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2019**  
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**4. Exploration and Evaluation Assets (continued)**

(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.

(c) *Bergby*

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

(d) *Other Properties*

(i) During fiscal 2018 the Company recorded an impairment charge of \$121,736 (2017 - \$88,295) on the relinquishment of claims in Sweden and Finland.

(ii) In fiscal 2017 the Company and REMAT Group Management SRL (“REMAT”) agreed to pursue the investigation and initiate a prospecting permit application over the Bihor area of Romania. REMAT proceeded to incorporate LEM Resources SRL (“LEM Romania”) in fiscal 2017. LEM Romania successfully applied for a non-exclusive prospecting permit (the “Permit”) over 25.5 square kilometres in the Bihor area. On August 9, 2018 the Company and REMAT completed a share purchase agreement (the “Share Purchase Agreement”) and executed a shareholders’ joint venture agreement whereby the Company acquired an initial 51% ownership interest (the “Initial Interest”) in LEM Romania, by issuing 367,006 common shares of the Company at a fair value of \$165,152. As LEM Romania had no assets or liabilities at the time of acquisition of the initial interest, the Company has recorded the initial consideration as general exploration expenses.

The Company can acquire an additional 39% interest in LEM Romania (for an aggregate 90% interest) by issuing up to an additional 2,202,036 common shares, as follows:

- (i) 550,509 common shares following the granting of an exploration license within the Permit;
- (ii) 734,012 common shares on completion of a National Instrument 43-101 compliant resource estimate (the “Resource Estimate”) within the Permit; and
- (iii) 917,515 common shares on completion of a positive pre-feasibility study within the Permit.

The Company shall fund all exploration expenditures and is required to incur a minimum of EUR 150,000 on exploration expenditures on or before April 26, 2020.

The Company is also required to issued up to 8,074,136 common shares (the “Bonus Shares”), which will be based on certain historic resource estimates and the Resource Estimate.

A finder’s fee of 5% (the “Finder’s Fee”) will be paid in stages, concurrently with the issuance of common shares under the Share Purchase Agreement. On August 9, 2018 the Company issued 18,350 common shares, at a fair value of \$8,258 for the initial Finder’s Fee. The initial Finder’s Fee consideration was also recorded as general exploration expenses.

**LEADING EDGE MATERIALS CORP.**  
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**5. Property, Plant and Equipment**

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
<b>Cost:</b>						
Balance at October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338
Adjustment to site restoration	-	-	-	-	(42,742)	(42,742)
Balance at October 31, 2018	81,147	287,018	344,139	7,567,878	9,444,414	17,724,596
Adjustment to site restoration	-	-	-	-	192,935	192,935
Balance at January 31, 2019	<u>81,147</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>9,637,349</u>	<u>17,917,531</u>
<b>Accumulated Depreciation:</b>						
Balance at October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	<u>(6,720)</u>	<u>(8,079)</u>	<u>(22,013)</u>	<u>-</u>	<u>-</u>	<u>(36,812)</u>
Balance at October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,189)
Depreciation	<u>(1,680)</u>	<u>(1,208)</u>	<u>(5,503)</u>	<u>-</u>	<u>-</u>	<u>(8,391)</u>
Balance at January 31, 2019	<u>(61,851)</u>	<u>(257,511)</u>	<u>(77,000)</u>	<u>(110,218)</u>	<u>-</u>	<u>(506,580)</u>
<b>Carrying Value:</b>						
Balance at October 31, 2018	<u>20,976</u>	<u>30,715</u>	<u>272,642</u>	<u>7,457,660</u>	<u>9,444,414</u>	<u>17,226,407</u>
Balance at January 31, 2019	<u>19,296</u>	<u>29,507</u>	<u>267,139</u>	<u>7,457,660</u>	<u>9,637,349</u>	<u>17,410,951</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.

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

**5. Property, Plant and Equipment (continued)**

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

	\$
<b>Balance at October 31, 2017</b>	618,908
Foreign exchange adjustment	<u>(40,896)</u>
<b>Balance at October 31, 2018</b>	578,012
Foreign exchange adjustment	<u>2,680</u>
<b>Balance at January 31, 2019</b>	<u>580,692</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 18 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.43% (October 31, 2018 - 0.67%) and an inflation factor of 2% (October 31, 2018 - 2.1%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	\$
<b>Balance at October 31, 2017</b>	7,711,413
Accretion	59,529
Revision of estimates	444,415
Foreign exchange adjustment	<u>(487,157)</u>
<b>Balance at October 31, 2018</b>	7,728,200
Accretion	13,200
Revision of estimates	119,704
Foreign exchange adjustment	<u>73,231</u>
<b>Balance at January 31, 2019</b>	<u>7,934,335</u>

As at January 31, 2019 reclamation deposits of \$105,996 (SEK 730,139) 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, 2019 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

**7. Share Capital**

(a) *Authorized Share Capital*

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

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7. **Share Capital** (continued)

(b) **Equity Financings**

*Three Months Ended January 31, 2019*

During November 2018 the Company completed a private placement financing of 6,027,855 units at a price of \$0.28 per unit for gross proceeds of \$1,687,800. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share, an exercise price of \$0.37 per share, expiring November 21, 2021. The Company paid finders' fees of \$6,384 cash.

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

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

*Fiscal 2018*

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

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants is as follows:

	Number	Weighted Average Exercise Price \$
Balance at October 31, 2017 and 2018	7,736,740	0.75
Issued	<u>6,027,855</u>	0.37
Balance at January 31, 2019	<u>13,764,595</u>	0.58

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

Number	Exercise Price \$	Expiry Date
4,010,376	0.70	December 14, 2019
3,726,364	0.80	May 3, 2020
<u>6,027,855</u>	0.37	November 21, 2021
<u>13,764,595</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.

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**7. Share Capital (continued)**

During the three months ended January 31, 2019 the Company granted share options to purchase 643,109 (2018 - 2,717,500) common shares and recorded compensation expense of \$77,173 (2018 - \$1,168,525).

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

	<u>2019</u>	<u>2018</u>
Risk-free interest rate	1.89%	1.65%
Estimated volatility	85%	85%
Expected life	3 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted, using the Black-Scholes option pricing model, during the three months ended January 31, 2019 was \$0.12 (2018 - \$ 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 January 31, 2019 and October 31, 2018 is as follows:

	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price \$</b>
Balance at October 31, 2017	6,152,500	0.39
Issued	2,867,500	0.62
Exercised	(400,000)	0.39
Expired	<u>(45,000)</u>	0.51
Balance at October 31, 2018	8,575,000	0.47
Issued	643,109	0.165
Expired	<u>(955,000)</u>	0.41
Balance at January 31, 2019	<u>8,263,109</u>	0.45

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

<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
4,770,000	4,270,000	0.39	October 14, 2021
2,700,000	2,700,000	0.64	November 2, 2022
150,000	150,000	0.33	August 14, 2023
<u>643,109</u>	<u>643,109</u>	0.165	January 11, 2022
<u>8,263,109</u>	<u>7,763,109</u>		

See also Note 12.

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**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 three months ended January 31, 2019 and 2018 the following compensation was incurred:

	2019 \$	2018 \$
Directors and officers compensation	308,498	113,538
Share-based compensation	-	892,250
	<u>308,498</u>	<u>1,005,788</u>

As at January 31, 2019, \$214,500 (October 31, 2018 - \$31,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(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 three months ended January 31, 2019 the Company incurred \$17,500 (2018 - \$21,500) for services provided by Chase personnel, exclusive of the CFO, and \$1,005 (2018 - \$1,005) for rent. As at January 31, 2019, \$335 (October 31, 2018 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

During the three months ended January 31, 2018 the Company also recorded \$53,750 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 categories: FVTPL; amortized cost; fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	January 31, 2019 \$	October 31, 2018 \$
Cash	FVTPL	1,703,107	1,184,420
Amounts receivable	amortized cost	334	658
Reclamation deposit	amortized cost	105,996	105,540
Accounts payable and accrued liabilities	amortized cost	(629,027)	(615,756)
Property acquisition obligation	amortized cost	(580,692)	(578,012)

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.

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**10. Financial Instruments and Risk Management (continued)**

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

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

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

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, 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.

	<b>Contractual Maturity Analysis at January 31, 2019</b>				
	<b>Carrying Amount \$</b>	<b>Contractual Cash Flows \$</b>	<b>Less than 3 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>
Cash	1,703,107	1,703,107	1,703,107	-	-
Amounts receivable	334	334	334	-	-
Reclamation deposit	105,996	-	-	-	105,996
Accounts payable and accrued liabilities	(629,027)	(629,027)	(629,027)	-	-
Property acquisition obligation	(580,692)	(580,692)	-	(580,692)	-

*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, 2019, 1 Canadian Dollar was equal to SEK 6.89. Balances are as follows:



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**10. Financial Instruments and Risk Management (continued)**

	SEK	CDN \$ Equivalent
Cash	868,385	126,036
VAT receivable	94,494	13,715
Inventories	624,948	90,726
Plant stores and supplies	649,245	94,253
Reclamation deposit	730,139	105,996
Accounts payable and accrued liabilities	(761,189)	(110,477)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(580,692)</u>
	<u>(1,793,978)</u>	<u>(260,443)</u>

Based on the net exposures as of January 31, 2019 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$26,000 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 three months ended January 31, 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 \$	2017 \$
Operating activity		
Provision for site restoration	<u>192,935</u>	<u>(146,822)</u>
Investing activity		
Revisions of estimates on property, plant and equipment	<u>(192,935)</u>	<u>146,822</u>
Financing activities		
Issuance of common shares	410,000	54,000
Share issue costs	(4,797)	(54,000)
Deferred share issue costs	4,797	-
Share subscriptions	<u>(410,000)</u>	<u>-</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:

	<b>As at January 31, 2019</b>				
	<b>Corporate Canada \$</b>	<b>Mineral Operations Sweden \$</b>	<b>Mineral Operations Finland \$</b>	<b>Mineral Operations Romania \$</b>	<b>Total \$</b>
Current assets	1,687,226	356,325	4,873	19,498	2,067,922
Exploration and evaluation assets	-	16,181,537	-	-	16,181,537
Property, plant and equipment	-	17,410,951	-	-	17,410,951
Reclamation deposit	-	105,996	-	-	105,996
	<u>1,687,226</u>	<u>34,054,809</u>	<u>4,873</u>	<u>19,498</u>	<u>35,766,406</u>
	<b>As at October 31, 2018</b>				
	<b>Corporate Canada \$</b>	<b>Mineral Operations Sweden \$</b>	<b>Mineral Operations Finland \$</b>	<b>Mineral Operations Romania \$</b>	<b>Total \$</b>
Current assets	1,223,596	340,221	4,840	7,806	1,576,463
Exploration and evaluation assets	-	16,162,239	-	-	16,162,239
Property, plant and equipment	-	17,226,407	-	-	17,226,407
Reclamation deposit	-	105,540	-	-	105,540
Deferred costs	4,797	-	-	-	4,797
	<u>1,228,393</u>	<u>33,834,407</u>	<u>4,840</u>	<u>7,806</u>	<u>35,075,446</u>

**12. Events after the Reporting Period**

Subsequent to January 31, 2019 the Company:

- (i) cancelled share options to acquire 500,000 common shares of the Company at an exercise price of \$0.39 per share; and
- (ii) granted share options to a consultant to purchase 700,000 common shares at an exercise price of \$0.20 per share for a period of five years.