

LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JANUARY 31, 2019

This discussion and analysis of financial position and results of operation is prepared as at March 28, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended January 31, 2019 of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact, addressing activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in the Company's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and the Company's ability to attract and train key personnel; changes in world metal markets and equity markets beyond the Company's control; the possibility of write-downs and impairments; the risks associated with uninsurable risks arising during the course of exploration; development and production; the risks associated with changes in the mining regulatory regime governing the Company; the risks associated with the various environmental regulations the Company is subject to; rehabilitation and restitution costs; the Company's preliminary economic assessment on Woxna is no longer current or valid as a result of the filing of a new NI 43-101 Technical Report effective March 24, 2015, and the Company has no plans to complete a new preliminary economic assessment, a pre-feasibility or feasibility study on the project, as such there is an increased risk of technical and economic failure for the Woxna graphite project; dealings with non-governmental organizations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the Forward-Looking Statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such Forward-Looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such Forward-Looking Statements. Such Forward-Looking Statements has been provided for the purpose of assisting investors in understanding the Company's business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on Forward-Looking Statements. Forward-Looking Statements are made as of the date hereof, and the Company does not undertake to update such Forward-Looking Statements except in accordance with applicable securities laws.

Company Overview

Leading Edge Materials is a Canadian and Swedish listed public company focused on production of high value critical raw materials for the European market. Leading Edge Material's flagship asset is the fully built and permitted Woxna graphite production facility located in central Sweden. As lithium ion batteries are comprised of approximately 15% high purity graphite, ongoing investment at Woxna is directed towards production of specialty materials for this emerging high growth market.

In addition to Woxna, Leading Edge Materials holds a portfolio of raw material assets suitable for lithium ion batteries (graphite, lithium, cobalt) and high strength permanent magnets (neodymium, dysprosium). The Company continues to seek out prospective battery material projects in Europe and will provide updates as information becomes available.

With a focus on Europe and assets in a fast moving sector, Leading Edge Materials is ideally placed to play a pivotal role in the sustainable supply of technology critical materials.

Change in Officer and Director

Effective January 31, 2019 Mr. Blair Way has resigned as a director, Chief Executive Officer (“CEO”) and President of the Company due to personal reasons. Mr. Way remains available as a consultant to the Company, available to assist the Company in advancing the Woxna graphite business. Mr. Mark Saxon, currently a director of the Company, has been named interim CEO and President. As at the date of this MD&A the Board of Directors and Officers of the Company are:

Mark Saxon	- Director, Interim CEO & President
Mike Hudson	- Director, Non-Executive Chairman
Filip Kozlowski	- Director
Nick DeMare	- Chief Financial Officer (“CFO”) and Corporate Secretary

Company History

The Company was incorporated on October 27, 2010 under the *Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company’s common shares began trading on the TSX Venture Exchange (the “TSXV”) as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. On August 25, 2016 the Company completed the acquisition of Tasman Metals Ltd. (“Tasman”) and changed its name to Leading Edge Materials Corp. The Company’s common shares trade on the TSXV as a Tier 1 mining issuer under the symbol “LEM”, on the OTCQB under the symbol “LEMIF” and on the Nasdaq First North, trading under the symbol “LEMSE”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Achievements

Work undertaken by Leading Edge Materials during fiscal 2018 was in line with the Board’s strategic roadmap to support and benefit from the rapid roll out of transportation electrification in Europe. Key elements of the Company’s ongoing investment strategy include product and process development work on the Woxna graphite mine; responding to Swedish Mining Inspectorate mine lease permitting expectations at the Norra Kärr rare earth element project while identifying project improvements that reduce the environmental footprint; ongoing discovery of lithium at the Bergby project and in the surrounding region; and progressing the Romanian exploration alliance towards exploration licence status at Bihor Sud.

Woxna Graphite Mine and Production Facility

The Woxna graphite mine and production facility is comprised of four graphite deposits, and open pit mine, a fully permitted 100,000 ton per annum processing plant and tailings dam, is located some 8 kilometres (“km”) WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The principal property is the Kringelgruvan concession, where permission to mine remains current until 2041. It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is production ready.

At Woxna, the Company is focused on optimization of the purification and shaping processes required to convert low value graphite into high value lithium ion battery-ready anode material. Laboratory based work to date has produced battery-ready anode materials by both chemical and thermal purification methods that meet the electrochemical specifications of battery cell manufacturers. The most recent research focus is directed towards process improvements which can be installed on the Woxna mine site within existing operating permits.

To facilitate process trade off and equipment selection decisions, the Company completed test work for the thermal purification of graphite at the in-house laboratory of a large European company within the reporting period. This 2018

test program delivered a matrix of results where operating conditions were systematically varied (see table below). The performance data from this program will facilitate selection of the furnace equipment that can meet the required temperature while providing insight into the energy needs to produce various high purity graphite products.

% Graphitic Carbon Content Achieved in 2018 Thermal Test Program

		TEMPERATURE				
		LOWER			HIGHER	
TIME	SHORTER				99.950	99.994
					99.995	99.998
		98.270	98.610	99.973	99.996	99.998
	96.830	98.350	98.990	99.986	99.997	
	LONGER	98.330	99.470			

The 2018 program was highly instructive in defining the process conditions that achieve purities from 98%C through to 99.999%C. As the Woxna site has ample power capacity for thermal purification, and northern Sweden provides access to very low-cost hydro power, thermal purification presents as a cost effective and low-carbon generation choice.

Furthermore, thermal purification removes the need to transport, handle and dispose of the toxic chemicals typically required for natural graphite purification, so ensuring minimum environmental impact of battery materials supplied from Woxna.

Subject to financing, the Company plans to advance the development of an onsite demonstration plant to produce battery-ready anode graphite. This demonstration plant will allow engagement with customers by providing volumes of anode materials that are adequate to be used within customer test circuits. Additionally, the demonstration plant will enable evaluation of by-products to develop markets for all materials produced at Woxna, and optimize technical and economic steps to progress to commercial anode production.

An engineering study to prepare for this demonstration plant is now underway. To support this engineering study, the Company has worked with European and North American laboratories and equipment suppliers to define the most effective way to modify the Woxna production facility to meet the future demands of the battery industry.

The Company maintains the Woxna processing plant in an operation ready status and can be run on an as needed basis. Leading Edge Materials is positioning Woxna as the supplier of choice in terms of price, supply security and quality to the European lithium ion battery and graphite markets. The production model being implemented aims to displace Chinese produced synthetic graphite with Swedish produced natural graphite products.

Previous Value Adding Projects

In 2017 the Company announced test results from ten 18650 lithium ion battery cells manufactured using thermally purified and spheronised graphite from Woxna. 18650 battery cells are the “industry standard” for testing battery performance, equivalent to those manufactured by Panasonic and used in Tesla electric vehicles. Cells showed consistent battery cell capacity over 2 ampere hours with high coulombic efficiency (“CE”) trending over 99%. Furthermore, cells were tested with high precision coulometry (“HPC”) to estimate the cell life cycle capability. Test results were positive and encouraged the Company to proceed further with battery material qualification.

Product from the Woxna graphite plant has previously been purified using both existing commercial and innovative techniques for cost and quality comparison.

Technical Report

In 2014, Leading Edge Materials commissioned Reed Leyton Consulting (“Reed Leyton”) to prepare a technical report (the “Technical Report”) in accordance with Canadian National Instrument 43-101 (“NI 43-101”) for the Kringelgruven (“Kringelgruven”), Gropabo (“Gropabo”), Mattsmyra (“Mattsmyra”) and Månsberg (“Månsberg”) graphite deposits that form part of the Company’s 100% owned Woxna graphite assets. The Technical Report is dated with an effective date of March 24, 2015 and was prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects. The Qualified Person responsible for the Technical Report is Mr. Geoff Reed, consulting geologist for Reed Leyton.

Mineral Resources

Leading Edge Materials' four graphite deposits (Kringelgruvan, Gropabo, Mattsmyra and Månsberg) located along a 40km trend in central Sweden, and are each held on Mining Leases. The partially mined Kringelgruvan deposit lies adjacent to the processing plant, tailings dam and related infrastructure.

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

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

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

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

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

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

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

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

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

The decision to recommence mining at Woxna in 2014 was not based on a feasibility study of mineral reserves demonstrating economic and technical viability as the Company was of the view that the establishment of mineral reserves was not necessary. There is increased uncertainty and risk of economic and technical failure associated with such production decisions. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing or other relevant issues.

During fiscal 2014 technical feasibility of the extraction of mineral resources at the Woxna graphite mine was demonstrated, transitioning Leading Edge Materials to the development stage of mining. The Woxna processing facility was refurbished and upgraded with new equipment in the first half of 2014 after which the processing plant commenced operation by feeding stockpiled graphitic material into the plant during July 2014. The plant was operated until the end of 2014 on stockpiled graphitic rock and mining of fresh graphitic rock commenced in Q1 2015. The freshly mined graphitic rock was fed into the Woxna processing facility and operated at normal design capacity producing graphite concentrate inventory. This inventory was stockpiled instead of sold due to declining global flake graphite demand during 2015. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company elected to stockpile and not sell graphite

concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna graphite mine is not currently operating and will not commence meaningful production until market conditions warrant. The Company is currently pursuing opportunities to produce higher value specialty products such as high purity graphite for lithium ion batteries and other specialty end uses.

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

It was concluded that the risk of restarting the plant was manageable, demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost. Although prices for graphite have been on the rise since mid-2016, the Woxna plant remains on a production ready status and can be restarted if graphite products demonstrate consistent price rises to a profitable level.

Bihor Sud Cobalt Nickel Project

In 2018 Leading Edge Materials initiated an Exploration Alliance (the "Exploration Alliance") in Romania focused on the discovery and development of lithium ion battery raw materials. The Exploration Alliance has principally been directed towards cobalt mineralization within the Upper Cretaceous Carpathian magmatic belt of the Balkan region. The Carpathian is a well mineralized intrusive arc that extends from Western Turkey to Hungary, forming the western end of the Tethyan Metallogenic Belt.

Following technical and commercial due diligence, Leading Edge Materials established a local branch company ("LEM Romania") of which it is the majority shareholder with the right to earn a 90% interest. LEM Romania is owner of the 25.5 sq km (2,550 ha) Bihor Sud Prospecting Permit in central western Romania. Bihor Sud lies within the same intrusive belt and less than 400km north of the Timok copper-gold project in Serbia. Other notable deposits in the West Tethyan Metallogenic Belt include Skouries, Chelopech, Bor and Majdanpek.

Staff and consultants to LEM Romania were active at Bihor Sud during 2018, compiling historic data, sampling historic mine waste dumps, completing preliminary ground geophysics and soil sampling. Review of progress and results to date are considered highly encouraging, and it is anticipated that LEM Romania shall proceed to Exploration License application across prospective areas.

Norra Kärr REE Project

Norra Kärr lies in south-central Sweden, 15 km northeast of the township of Gränna and 300 km southwest of the capital Stockholm in mixed forestry and farming land. The project is 100% owned by the Company via an Exploration Licence ("EL") granted August 31, 2009. On March 19, 2018 the Company was advised by Swedish Mines Inspectorate ("Bergsstaten") that the EL had been extended until August 31, 2019.

Process development testwork and other activity at Norra Kärr remains restricted while permitting of the Mining Lease is resolved.

Mining Lease

A mining lease for Norra Kärr, is presently under reapplication with the Bergsstaten following a recommendation by the Swedish Supreme Administrative Court ("SAC"). In 2016, a Swedish governmental review of a Supreme Administrative Court ("SAC") interpretation of the Swedish Mining Act lead the Bergsstaten to reassess four granted Mining Leases. This review included the Company's Norra Kärr Mining Lease. The Company continues to hold exclusive rights to the Norra Kärr project throughout the Mining Lease application process.

The Bergsstaten requested additional information from Leading Edge Materials to complete their reassessment. In mid-January 2018 the Company submitted all required information to Bergsstaten, to complement the original Norra Kärr Mining Lease application documentation submitted in 2013. As part of the review process, the Bergsstaten

forwarded this supplementary information to various stakeholders for opinion, including the County Administration Board (“Länsstyrelsen”). The Länsstyrelsen published their response in Sweden June 15, 2018, requesting further information before an opinion on the Norra Kärr Mining Lease application can be delivered.

Subsequent to this, discussions were held with the Bergsstaten and this additional information was submitted in December 2018. As disclosed March 8, 2019, the Länsstyrelsen do not presently support re-granting of the Norra Kärr Mining Lease and continue to seek further information.

Previous Process Development:

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

Mineralogical studies show nearly all of the REE in the deposit is found within the mineral eudialyte. Eudialyte at Norra Kärr is relatively rich in REE’s compared to most other similar deposits globally, and also contains a very high proportion of high value heavy REE’s. A total of 121 exploration holes have been completed since work began in 2009, typically on 50m sections.

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

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

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

In 2018 the Geological Survey of Finland (“GTK”) undertook testwork on a bulk sample originally collected under the EURARE Horizon2020 project. Nine tests were completed where the nepheline/feldspar sample was passed through a second phase of magnetic separation under varying conditions to remove any remaining iron impurity. This “clean-up” stage was highly effective in removing iron, which was lowered to a level consistent with peer materials that are sold within Europe today. Once sub-20 micron material was screened out, iron oxide (“Fe₂O₃”) content of 0.1% was achieved with an iron oxide (ppm) to aluminum (%) ratio ranging from 45 to 50.

EURARE was a 5-year research project co-funded by the European Commission under the Seventh Framework Programme of the European Community for Research, Technological Development and Demonstration Activities (Grant Agreement NMP2-LA-2012-309373). The project completed research on Norra Kärr and other European REE deposits with a final technical meeting in November 2017.

In March 2015, Tasman published a comprehensive Pre-Feasibility Study (“PFS”) for the Norra Kärr project. PFS conclusions are supported by very extensive drilling, sampling, process testwork and REE consumer discussions. The PFS is a complete study, addressing in addition to mining and processing, all required on site and off site infrastructure, land access, reagent and fuel transport and storage, power access, water recycling and purification, waste rock and tailings storage, and final closure. Engineering work focused on applying the lowest risk process solutions using commercially available technology.

A technical report supporting the PFS is available in its entirety, on the SEDAR website at www.sedar.com, under Tasman’s SEDAR profile, or the Company’s website at www.leadingedgematerials.com. The PFS was prepared by GBM Minerals Engineering Consultants Limited (“GBM”), under the guidance of Michael Short, Principal Consultant for GBM who is a “Qualified Person” in accordance with NI 43-101.

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

Bergby Lithium Project

Bergby is a lithium project located in central Sweden, 25km north of the town of Gävle. The claim area totals 1,903 hectares with major roads, rail and power supply passing immediately adjacent to the claim boundaries. Mapping and sampling of the Bergby claim in late 2016 and early 2017 located a large number of angular pegmatitic and aplitic lithium-mineralized boulders within an area of 650 metres by 250 metres and demonstrated spodumene and petalite host minerals. Analytical results for the 27 boulder samples averaged 0.85% Li₂O (lithium oxide) and ranged from 0.08% Li₂O to 2.3% Li₂O. The boulders are anomalous in other elements which characterize lithium-cesium-tantalum (“LCT”) pegmatites that are regularly associated with lithium deposits.

Bergby has been tested by a total of 33 drill holes to a maximum depth of 131.1m over an approximate 1500m strike length. Mineralization drilled to date lies very close to surface, and extends from the outcrop beneath thin glacial soil cover. Intersections often include elevated levels of tantalum.

Additional targets are being reviewed at Bergby and surrounding areas.

Qualified Person

The qualified person for the Company’s project, Mr. Mark Saxon, B.Sc. Hons (Geology), a Fellow of the Australasian Institute of Mining and Metallurgy, the Company’s Interim President and CEO, has reviewed and verified the contents of this document.

Financial Information

The report for the quarter-ended April 30, 2019 is expected to be published on or about June 27, 2019.

Selected Financial Data

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

Three Months Ended	Fiscal 2019	Fiscal 2018				Fiscal 2017			
	January 31, 2019 \$	October 31, 2018 \$	July 31, 2018 \$	April 30, 2018 \$	January 31, 2018 \$	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	
Operations									
Expenses	(850,681)	(1,151,305)	(697,426)	(665,364)	(1,976,066)	(843,952)	(598,339)	(661,022)	
Other items	1,602	39,448	(7,721)	32,508	39,641	75,938	(85,392)	(59,749)	
Comprehensive loss	(849,079)	(1,111,857)	(705,147)	(632,856)	(1,936,425)	(768,014)	(683,731)	(720,771)	
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)	(0.01)	
Financial Position									
Working capital	1,438,895	960,707	1,369,748	2,041,550	2,698,150	3,490,760	4,430,469	3,980,145	
Total assets	35,766,406	35,075,446	36,132,517	36,139,745	36,902,593	37,915,728	39,267,743	38,320,958	
Total non-current liabilities	(8,515,027)	(8,306,212)	(8,902,310)	(8,157,203)	(8,204,190)	(8,330,321)	(9,557,984)	(8,967,308)	

Results of Operations

Three Months Ended January 31, 2019 Compared to Three Months Ended October 31, 2018

During the three months ended January 31, 2019 (the “Q1/2019”) the Company reported a net loss of \$849,079 compared to a net loss of \$1,111,857 for the prior three months ended October 31, 2018 (the “Q4/2018”), for a decrease in loss of \$262,778. The decrease in loss was mainly attributed to the following:

- (i) during Q4/2018 the Company recognized general exploration totalling \$399,278, comprising \$173,410 expensed for the value of common shares issued under the Exploration Alliance and \$225,868 incurred for subsequent exploration work conducted on the Bihor Sud Project. During Q1/2019 the Company incurred \$17,374 for exploration work and license application on the Bihor Sud Project; and
- (ii) during Q4/2018 the Company recorded a \$102,152 impairment on the relinquishment of claims in Finland and Sweden. No impairment was required in Q1/2019.

The above amounts were partially offset by the recognition of a \$200,000 termination payment made to the former CEO and President during Q1/2019.

Three Months Ended January 31, 2019 Compared to Three Months Ended January 31, 2018

During the three months ended January 31, 2019 (the “2019 period”) the Company reported a net loss of \$849,079, compared to a net loss of \$1,936,425 for the three months ended January 31, 2018 (the “2018 period”), a decrease in loss of \$1,087,346. The decrease in loss is primarily attributable to the recognition of share-based compensation of \$77,173 on stock options in the 2019 period compared to share-based compensation of \$1,168,525 on stock options in the 2018 period.

Excluding share-based compensation, expenses decreased by \$34,033, from \$807,541 during the 2018 period to \$773,508 during the 2019 period. Specific expenses of note during the 2019 period are as follows:

- (i) incurred \$308,498 (2018 - \$113,538) for director and officer compensation. During the 2019 period, pursuant to the management contract, a \$200,000 termination fee was paid to Mr. Way, the Company’s former President and CEO. See also “Related Party Transactions and Balances”;
- (ii) incurred \$34,992 (2018 - \$128,640) for regulatory fees. During the 2018 period the Company incurred significant fees for the listing of its common shares on the Nasdaq First North Exchange;
- (iii) incurred a total of \$28,923 (2018 - \$34,600) for accounting and administration services of which \$17,500 (2018 - \$21,500) was for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare, and \$11,423 (2018 - \$13,100) was for bookkeeping and accounting services provided by an independent accountant in Sweden;
- (iv) shareholder costs increased by \$11,603 from \$1,075 during the 2018 period to \$12,678 during the 2019 period. During the 2019 period the Company incurred increased costs for additional ongoing news dissemination as a result of the Nasdaq First North listing;
- (v) incurred a total of \$2,778 (2018 - \$96,028) for legal expenses. During the 2018 period the Company incurred additional legal fees attributed to services provided for the Company’s listing of its common shares on the NASDAQ First North Exchange;
- (vi) incurred a total of \$20,916 (2018 - \$4,907) for consulting fees. During the 2019 period the Company engaged consultants for administrative and financial services;
- (vii) recorded research and development expenses of \$66,478 (2018 - \$31,963). The Company has continued to conduct research and development to optimize and improve the purification process;
- (ix) incurred a total of \$45,134 (2018 - \$68,689) for corporate development expenses. During the 2018 period the Company participated in several market awareness programs and engaged a consultant to provide corporate information on the Company; and
- (x) general exploration expenses of \$17,374 (2018 - \$nil) was recorded during the 2019 period for exploration and licensing performed on the Bihor Sud Project; and
- (xi) incurred audit fees of \$25,500 (2018 - \$8,924). The fluctuation is due to the timing of billings for the Company’s year-end financial audit.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the 2019 period the Company reported interest of \$9,731 compared to \$13,400 during the 2018 period due to lower levels of cash held during the 2019 period.

Financings

During the 2019 period the Company completed a private placement financing of 6,027,855 units at \$0.28 per unit for gross proceeds of \$1,687,799. The net proceeds from this financing has been designated for general corporate requirements.

No financings were undertaken during the 2018 period.

Property, Plant and Equipment

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Cost:						
Balance - 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 - 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 - January 31, 2019	81,147	287,018	344,139	7,567,878	9,637,349	17,917,531
Accumulated Depreciation:						
Balance - October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	(6,720)	(8,079)	(22,013)	-	-	(36,812)
Balance - October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,199)
Depreciation	(1,680)	(1,028)	(5,503)	-	-	(8,391)
Balance - January 31, 2019	(61,851)	(257,511)	(77,000)	(110,218)	-	(506,580)
Carrying Value:						
Balance - October 31, 2018	20,976	30,715	272,642	7,457,660	9,444,414	17,226,407
Balance - January 31, 2019	19,296	29,507	267,139	7,457,660	9,444,414	17,410,951

Exploration and Evaluation Assets

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Balance at October 31, 2017	41,363	15,482,964	391,523	89,056	16,004,906
Exploration costs					
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
Acquisition costs					
Mining rights	6,599	8,583	-	2,290	17,472
Impairment					
	(29,159)	-	-	(92,577)	(121,736)
Balance at October 31, 2018	18,803	15,736,406	407,030	-	16,162,239

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Exploration costs					
Geological	-	10,152	-	-	10,152
Permitting	-	9,146	-	-	9,146
	<u>-</u>	<u>19,298</u>	<u>-</u>	<u>-</u>	<u>19,298</u>
Balance at January 31, 2019	<u>18,803</u>	<u>15,755,704</u>	<u>407,030</u>	<u>-</u>	<u>16,181,537</u>

Financial Condition / Capital Resources

During the 2019 period the Company recorded a net loss of \$849,079 and, as at January 31, 2019, the Company had an accumulated deficit of \$27,903,403 and working capital of \$1,438,895. The Company is maintaining its Woxna Graphite Mine on a “production-ready” basis to minimize costs. The Company currently has no significant budget allocated for the Norra Kärr Project. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads and complete its licensing process and conduct exploration on the Bihor Sud Project for the ensuing twelve months it anticipates that it will need additional capital to maintain current levels of research and development, recommence operations at the Woxna Graphite Mine and/or upgrade the plant to produce value added production. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company’s long-lived assets is dependent upon the Company’s ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company’s critical accounting estimates is included in Note 3 to the October 31, 2018 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies other than:

Financial Instruments

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.

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

A detailed summary of all the Company's significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the October 31, 2018 audited annual consolidated financial statements.

Related Party Transactions and Balances

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

(a) During the 2019 and 2018 period the following compensation was incurred:

	2019 \$	2018 \$
Management fees - Mr. Way, former President, CEO and director ⁽¹⁾	49,998	49,998
Termination fee - Mr. Way ⁽¹⁾	200,000	-
Consulting fees - Mr. Hudson, Chairman and director	7,500	7,500
Consulting fees - Mr. Kozlowski, director	7,500	7,500
Consulting fees - Mr. DeMare, CFO, Corporate Secretary and former director ⁽³⁾	7,500	7,500
Consulting fees - Mr. Saxon, interim CEO, interim President and director ⁽²⁾	36,000	36,000
Consulting fees - Ms. Bermudez, former Corporate Secretary ⁽⁴⁾	-	5,040
Share-based compensation - Mr. Way	-	172,000
Share-based compensation - Mr. Hudson	-	172,000
Share-based compensation - Mr. DeMare	-	118,250
Share-based compensation - Mr. Saxon	-	172,000
Share-based compensation - Mr. Kozlowski	-	172,000
Share-based compensation - Ms. Bermudez	-	86,000
	<u>308,498</u>	<u>1,005,788</u>

(1) Mr. Way resigned as CEO, President and a director on January 31, 2019 and Mr. Saxon was appointed interim CEO and President. The \$200,000 was paid to Mr. Way pursuant to the terms of his employment agreement.

(2) Mr. Saxon received \$7,500 (2018 - \$7,500) for director fees and \$28,500 (2018 - \$28,500) for being a member of the technical advisory committee. On January 31, 2019, Mr. Saxon was appointed interim CEO and President.

(3) Mr. DeMare resigned as a director on December 15, 2017 but remains as the Company's CFO and was appointed as Corporate Secretary on April 30, 2018.

(4) Ms. Bermudez resigned as corporate secretary on April 30, 2018.

As at January 31, 2019, \$214,500 (October 31, 2018 - \$31,500) remained unpaid.

(b) During the 2019 period the Company incurred \$17,500 (2018 - \$21,500) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$1,005 (2018 - \$1,005) for rent. As at January 31, 2019, \$335 (October 31, 2018 - \$4,170) remained unpaid.

During the 2018 period the Company also recorded \$53,750 for share-based compensation for share options granted to Chase.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 28, 2019, there were 95,517,391 issued and outstanding common shares, 13,764,595 warrants outstanding with exercise prices ranging from \$0.37 to \$0.80 per share and 8,463,109 share options outstanding with exercise prices ranging from \$0.165 to \$0.64 per share.