
LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JANUARY 31, 2020

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	January 31, 2020 \$	October 31, 2019 \$
ASSETS			
Current assets			
Cash		928,956	395,609
GST/VAT receivables		51,066	50,166
Amounts receivable		664	282
Prepaid expenses and other		101,677	99,409
Inventory		85,712	83,772
Plant stores and supplies		<u>88,475</u>	<u>86,472</u>
Total current assets		<u>1,256,550</u>	<u>715,710</u>
Non-current assets			
Exploration and evaluation assets	4	16,229,333	16,226,721
Property, plant and equipment	5	7,217,688	7,784,936
Reclamation deposit	6	<u>99,991</u>	<u>97,740</u>
Total non-current assets		<u>23,547,012</u>	<u>24,109,397</u>
TOTAL ASSETS		<u>24,803,562</u>	<u>24,825,107</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>544,823</u>	<u>583,159</u>
Non-current liabilities			
Provision for site restoration	6	6,606,161	7,165,140
Property acquisition obligation	4(a), 5	<u>548,600</u>	<u>536,184</u>
Total non-current liabilities		<u>7,154,761</u>	<u>7,701,324</u>
TOTAL LIABILITIES		<u>7,699,584</u>	<u>8,284,483</u>
SHAREHOLDERS' EQUITY			
Share capital	7	49,845,327	48,874,669
Share-based payments reserve	7(d)	5,837,686	5,837,686
Deficit		<u>(38,579,035)</u>	<u>(38,171,731)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>17,103,978</u>	<u>16,540,624</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>24,803,562</u>	<u>24,825,107</u>

Nature of Operations and Going Concern - Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 25, 2020 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,	
		2020	2019
		\$	\$
Expenses			
Accounting and administration	8(b)	31,279	28,923
Accretion of provision for site restoration	6	1,942	13,200
Audit		40,000	25,500
Bank charges		1,146	2,023
Consulting		9,089	20,916
Corporate development		1,535	45,134
Depreciation	5	6,327	8,391
Directors and officers compensation	8(a)	58,500	308,498
Environmental		10,796	1,108
Equipment rentals and related		387	1,647
Fuel, electricity and utilities		26,520	12,871
General exploration		1,901	17,374
Insurance		5,961	6,275
Investment conferences		8,720	3,765
Legal		6,362	2,778
Office		9,298	14,023
Plant maintenance		9,345	5,740
Plant supplies and consumables		4,933	885
Regulatory		28,389	34,992
Rent		1,005	10,514
Research and development		17,528	66,478
Salaries, compensation and benefits		64,774	106,582
Share-based compensation	7(d)	-	77,173
Shareholder costs		11,749	12,678
Transfer agent		8,515	2,618
Travel		9,929	20,595
		<u>375,930</u>	<u>850,681</u>
Loss before other items		<u>(375,930)</u>	<u>(850,681)</u>
Other items			
Interest income		5,145	9,731
Foreign exchange		(36,519)	(8,129)
		<u>(31,374)</u>	<u>1,602</u>
Net loss and comprehensive loss		<u>(407,304)</u>	<u>(849,079)</u>
Loss per share - basic and diluted		<u>\$(0.00)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>102,067,391</u>	<u>94,244,844</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)

Three Months Ended January 31, 2020					
Share Capital					
Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$	
Balance at October 31, 2019	95,667,391	48,874,669	5,837,686	(38,171,731)	16,540,624
Common shares issued for:					
- private placement	18,000,000	1,008,000	-	-	1,008,000
Share issue costs	-	(37,342)	-	-	(37,342)
Net loss for the period	-	-	-	(407,304)	(407,304)
Balance at January 31, 2020	113,667,391	49,845,327	5,837,686	(38,579,035)	17,103,978

Three Months Ended January 31, 2019						
Share Capital						
Number of Shares	Amount \$	Share Subscriptions Received \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$	
Balance at October 31, 2018	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)
Balance at January 31, 2019	95,517,391	48,837,169	-	5,688,586	(27,903,403)	26,622,352

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,	
	2020	2019
	\$	\$
Operating activities		
Net loss for the period	(407,304)	(849,079)
Adjustments for:		
Accretion of provision for site restoration	1,942	13,200
Depreciation	6,327	8,391
Foreign exchange	6,222	1,370
Share-based compensation	-	77,173
Changes in non-cash working capital items:		
Amounts receivable	(382)	324
GST/VAT receivables	(900)	5,776
Prepaid expenses and other	(2,268)	21,982
Accounts payable and accrued liabilities	<u>(38,336)</u>	<u>13,271</u>
Net cash used in operating activities	<u>(434,699)</u>	<u>(707,592)</u>
Investing activity		
Expenditures on exploration and evaluation assets	<u>(2,612)</u>	<u>(19,298)</u>
Net cash used in investing activity	<u>(2,612)</u>	<u>(19,298)</u>
Financing activities		
Issuance of common shares	1,008,000	1,277,799
Share issue costs	<u>(37,342)</u>	<u>(32,222)</u>
Net cash provided by financing activities	<u>970,658</u>	<u>1,245,577</u>
Net change in cash	533,347	518,687
Cash at beginning of period	<u>395,609</u>	<u>1,184,420</u>
Cash at end of period	<u>928,956</u>	<u>1,703,107</u>

Supplemental cash flow information - See Note 11

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2020
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a junior mining company primarily focussed on its 100% owned Woxna Graphite Mine located in central Sweden. The Company also holds exploration permits and a mining lease application in Sweden and has and has made exploration licence applications in Romania. 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, 2020 the Company recorded a net loss of \$407,304 and, as at January 31, 2020, the Company had an accumulated deficit of \$38,579,035 and working capital of \$711,727. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. On August 1, 2015 the Company determined it had completed the refurbishment and commissioning of the Woxna Graphite Mine. 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. The Company anticipates that it does not have sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months and it will need additional capital to provide working capital and recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production, to fund future development of the Norra Kärr Property and complete the tendering process and, if successful, exploration activities in Romania. 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, 2019, 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, 2019 other than, effective November 1, 2019, the Company adopted IFRS 16 - *Leases* ("IFRS 16").

IFRS 16, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management has determined that there was no impact on the Company's condensed consolidated interim financial statements upon the adoption of this new standard.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2020
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

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.

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, 2020</u>			<u>As at October 31, 2019</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	10,081	4,706	14,787	10,081	4,706	14,787
Norra Kärr	15,402,622	398,655	15,801,277	15,402,622	396,043	15,798,665
Bergby	<u>54,733</u>	<u>358,536</u>	<u>413,269</u>	<u>54,733</u>	<u>358,536</u>	<u>413,269</u>
	<u>15,467,436</u>	<u>761,897</u>	<u>16,229,333</u>	<u>15,467,436</u>	<u>759,285</u>	<u>16,226,721</u>

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Total \$
Balance at October 31, 2018	<u>18,803</u>	<u>15,736,406</u>	<u>407,030</u>	<u>16,162,239</u>
Exploration costs				
Geological	-	23,258	1,297	24,555
Permitting	-	<u>29,564</u>	-	<u>29,564</u>
	<u>-</u>	<u>52,822</u>	<u>1,297</u>	<u>54,119</u>
Acquisition costs				
Mining rights	1,972	9,437	4,942	16,351
Recovery	<u>(5,988)</u>	-	-	<u>(5,988)</u>
	<u>(4,016)</u>	<u>9,437</u>	<u>4,942</u>	<u>10,363</u>
Balance at October 31, 2019	<u>14,787</u>	<u>15,798,665</u>	<u>413,269</u>	<u>16,226,721</u>
Exploration costs				
Permitting	-	<u>2,612</u>	-	<u>2,612</u>
Balance at January 31, 2020	<u>14,787</u>	<u>15,801,277</u>	<u>413,269</u>	<u>16,229,333</u>

(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, 2020
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4. Exploration and Evaluation Assets (continued)

(b) *Norra Kärr*

The Norra Kärr Property consists of an extension application of an exploration license and a mining lease re-application, located in south-central Sweden. The exploration license and the mining lease applications 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. As at January 31, 2020 two of the permits are in application and one has been granted.

(d) *Other Properties*

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 permitting process is ongoing.

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.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2020
(Unaudited - Expressed in Canadian Dollars)

5. Property, Plant and Equipment

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Cost:						
Balance at October 31, 2018	81,147	287,018	344,139	7,567,878	9,444,414	17,724,596
Addition	-	-	-	-	4,917	4,917
Adjustment to site restoration	-	-	-	-	(613,692)	(613,692)
Balance at October 31, 2019	81,147	287,018	344,139	7,567,878	8,835,639	17,115,821
Adjustment to site restoration	-	-	-	-	(560,921)	(560,921)
Balance at January 31, 2020	<u>81,147</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>8,274,718</u>	<u>16,554,900</u>
Accumulated Depreciation and Impairment:						
Balance at October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,189)
Depreciation	(6,718)	(3,969)	(22,009)	-	-	(32,696)
Impairment	-	-	-	(3,800,000)	(5,000,000)	(8,800,000)
Balance at October 31, 2019	(66,889)	(260,272)	(93,506)	(3,910,218)	(5,000,000)	(9,330,885)
Depreciation	(287)	(538)	(5,502)	-	-	(6,327)
Balance at January 31, 2020	<u>(67,176)</u>	<u>(260,810)</u>	<u>(99,008)</u>	<u>(3,910,218)</u>	<u>(5,000,000)</u>	<u>(9,337,212)</u>
Carrying Value:						
Balance at October 31, 2019	<u>14,258</u>	<u>26,746</u>	<u>250,633</u>	<u>3,657,660</u>	<u>3,835,639</u>	<u>7,784,936</u>
Balance at January 31, 2020	<u>13,971</u>	<u>26,208</u>	<u>245,131</u>	<u>3,657,660</u>	<u>3,274,718</u>	<u>7,217,688</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 refurbishment and commissioning of the Woxna Graphite Mine was completed.

During fiscal 2019 management assessed whether there were any indications of impairment of the Company's property, plant and equipment as required by IAS 36. In light of the continued suspension of the operations of the Woxna Graphite Mine, large net loss and the low trading value of the Company's common shares, management concluded there were indications of impairment.

When indications of impairment are determined to be present, IAS 36 requires the Company to estimate the recoverable amount of the Company's property, plant and equipment. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a value in use method that takes into account the Company's financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of \$8,800,000 was appropriate in fiscal 2019.

As at January 31, 2020 the Company has recognized \$548,600 (October 31, 2019 - \$536,184) for the Property Acquisition Obligation associated with the Kringelgruven concession, as described in Note 4(a)(i)

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringselgruven 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 0.11% (October 31, 2019 - 0%) and an inflation factor of 1% (October 31, 2019 - 1.5%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	\$
Balance at October 31, 2018	7,728,200
Accretion	50,632
Revision of estimates	(54,637)
Foreign exchange adjustment	<u>(559,055)</u>
Balance at October 31, 2019	7,165,140
Accretion	1,942
Revision of estimates	(735,109)
Foreign exchange adjustment	<u>174,188</u>
Balance at January 31, 2020	<u>6,606,161</u>

As at January 31, 2020 reclamation deposits of \$99,991 (October 31, 2019 - \$97,740) has been paid and accounted for as a non-current deposit. The reclamation deposits were placed as security for site restoration on the Kringselgruven concession and on certain exploration and evaluation assets.

As at January 31, 2020 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***

Three Months Ended January 31, 2020

On December 30, 2019 the Company completed a private placement financing of 18,000,000 units at a price of \$0.056 per unit for gross proceeds of \$1,008,000. 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, an exercise price of \$0.10 per share, expiring December 30, 2023. The Company incurred \$37,342 legal and filing costs associated with this private placement.

A significant minority shareholder of the Company acquired 13,000,000 units of the private placement.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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7. Share Capital (continued)

Fiscal 2019

On November 21, 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 \$1,687,799. 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.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at January 31, 2020 and 2019 and the changes for the three months ended on those dates is as follows:

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	13,764,595	0.58	7,736,740	0.75
Issued	18,000,000	0.10	6,027,855	0.37
Expired	<u>(4,010,376)</u>	0.70	-	-
Balance end of period	<u>27,754,219</u>	0.25	<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, 2020:

Number	Exercise Price \$	Expiry Date
3,726,364	0.80	May 3, 2020
6,027,855	0.37	November 21, 2021
<u>18,000,000</u>	0.10	December 30, 2023
<u>27,754,219</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.

No share options were granted during the three months ended January 31, 2020. During the three months ended January 31, 2019 the Company granted share options to purchase 643,109 common shares and recorded compensation expense of \$77,173. The fair value of share options granted during the three months ended January 31, 2019 was estimated using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.89%; expected volatility of 85%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The weighted average grant date fair value of all share options granted during the three months ended January 31, 2019 was \$0.12 per share option.

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7. Share Capital (continued)

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, 2020 and 2019 and the changes for the three months ended on those dates is as follows:

	<u>2020</u>		<u>2019</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	7,163,109	0.44	8,575,000	0.47
Issued	-	-	643,109	0.165
Expired	-	-	<u>(955,000)</u>	0.41
Balance end of period	<u>7,163,109</u>	0.44	<u>8,263,109</u>	0.45

The following table summarizes information about the share options outstanding and exercisable at January 31, 2020:

Number	Exercise Price \$	Expiry Date
3,520,000	0.39	October 14, 2021
143,109	0.165	January 11, 2022
1,050,000	0.225	May 30, 2022
2,300,000	0.64	November 2, 2022
<u>150,000</u>	0.33	August 14, 2023
<u>7,163,109</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 three months ended January 31, 2020 and 2019 the following compensation was incurred:

	<u>2020</u> \$	<u>2019</u> \$
Directors and officers compensation (current and former)	<u>58,500</u>	<u>308,948</u>

As at January 31, 2020 \$50,000 (October 31, 2019 - \$91,500) 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, 2020 the Company incurred \$22,000 (2019 - \$17,500) for services provided by Chase personnel, exclusive of the CFO, and \$1,005 (2019 - \$1,005) for rent. As at January 31, 2020 \$5,835 (October 31, 2019 - \$335) remained unpaid and has been included in accounts payable and accrued liabilities.

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9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“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, 2020 \$	October 31, 2019 \$
Cash	FVTPL	928,956	395,609
Amounts receivable	amortized cost	664	282
Reclamation deposit	amortized cost	99,991	97,740
Accounts payable and accrued liabilities	amortized cost	(544,823)	(583,159)
Property acquisition obligation	amortized cost	(548,600)	(536,184)

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 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, amounts receivable and reclamation deposit. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and reclamation deposit is remote.

Liquidity Risk

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

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9. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at January 31, 2020				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	928,956	928,956	928,956	-	-
Amounts receivable	664	664	664	-	-
Reclamation deposit	99,991	99,991	-	-	99,991
Accounts payable and accrued liabilities	(544,823)	(544,823)	(544,823)	-	-
Property acquisition obligation	(548,600)	(548,600)	-	(548,600)	-

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 Swedish Krona ("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, 2020, 1 Canadian Dollar was equal to 7.29 SEK. Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	822,086	112,769
VAT receivable	129,586	17,776
Inventories	624,948	85,712
Plant stores and supplies	645,095	88,475
Reclamation deposit	729,059	99,991
Accounts payable and accrued liabilities	(1,156,057)	(158,581)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(548,600)</u>
	<u>(2,205,283)</u>	<u>(302,458)</u>

Based on the net exposures as of January 31, 2020 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 \$30,000 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.

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10. Supplemental Cash Flow Information

During the three months ended January 31, 2020 and 2019 non-cash activities were conducted by the Company as follows:

	2020 \$	2019 \$
Operating activity		
Provision for site restoration	<u>(560,921)</u>	<u>192,935</u>
Investing activity		
Revisions of estimates on property, plant and equipment	<u>560,921</u>	<u>(192,935)</u>
Financing activities		
Issuance of common shares	-	410,000
Share issue costs	-	(4,797)
Deferred share issue costs	-	4,797
Share subscriptions	<u>-</u>	<u>(410,000)</u>
	<u>-</u>	<u>-</u>

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:

	<u>As at January 31, 2020</u>				
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Mineral Operations Romania \$	Total \$
Current assets	925,746	329,114	1,284	406	1,256,550
Exploration and evaluation assets	-	16,229,333	-	-	16,229,333
Property, plant and equipment	-	7,217,688	-	-	7,217,688
Reclamation deposit	-	99,991	-	-	99,991
	<u>925,746</u>	<u>23,876,126</u>	<u>1,284</u>	<u>406</u>	<u>24,803,562</u>
	<u>As at October 31, 2019</u>				
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Mineral Operations Romania \$	Total \$
Current assets	407,123	295,837	1,270	11,480	715,710
Exploration and evaluation assets	-	16,226,721	-	-	16,226,721
Property, plant and equipment	-	7,784,936	-	-	7,784,936
Reclamation deposit	-	97,740	-	-	97,740
	<u>407,123</u>	<u>24,405,234</u>	<u>1,270</u>	<u>11,480</u>	<u>24,825,107</u>