

# LEADING EDGE MATERIALS CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2020

This discussion and analysis of financial position and results of operation is prepared as at January 27, 2021 and should be read in conjunction with the audited consolidated financial statements for the years ended October 31, 2020 and 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](http://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 tenure to the Norra Karr property; 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, as such there is an increased risk of technical and economic failure for the Woxna graphite project; and 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.

### COVID-19

On March 11, 2020 the World Health Organization ("WHO") declared the novel coronavirus outbreak identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented safety and physical distancing procedures, including working from home where possible and ceased all travel, as recommended by the various governments. The

Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

## Corporate Overview

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. The Company's strategy is to acquire and develop a portfolio of critical raw material projects in Europe to provide European industry with a long term secure and sustainable supply. Critical raw materials are determined as such by the European Union based on their economic importance and supply risk. They are directly linked to high growth technologies such as lithium-ion batteries and permanent magnets for electric motors and wind power that underpin the sustainability transition. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Karr HREE project (Sweden), Bergby lithium project (Sweden) and the 51% owned Bihor Sud Nickel Cobalt exploration alliance (Romania).

As at the date of this MD&A the Board of Directors and Officers of the Company are:

Filip Kozlowski	- CEO
Nick DeMare	- CFO and Corporate Secretary
Lars-Eric Johansson	- Director and Non-Executive Chairman
Eric Krafft	- Director
Daniel Major	- Director

## Highlights During and After the Quarter

During the three months ended October 31, 2020 the Company:

- Completed a non-brokered private placement for proceeds of \$3,520,000 by issuing 32,000,000 units at a price of \$0.11 per unit. Each unit consists of one common share, and one common share purchase warrant exercisable into one common share at an exercise price of \$0.20 expiring August 7, 2024.
- Received information that the Bucharest Court of Appeal published a ruling dismissing the appeal against the Agenția Națională Pentru Resurse Minerale ("NAMR") by the competing bidder for the Bihor Sud Exploration license in Romania as groundless. Pending the full ruling being served to the parties of the appeal and a subsequent appeal window, NAMR can reinstate the adjudication process of the competing bids for the Bihor Sud Exploration license.
- Granted stock options to directors, officers and consultants to purchase an aggregate of 3,500,000 common shares of the Company at an exercise price of \$0.155 expiring August 11, 2023.
- Commissioned SRK Consulting (UK) Limited to produce a preliminary economic assessment study on the Norra Karr heavy rare earth element project to include the additional potential of by-product revenues and associated reduced environmental footprint.
- Received information that the decision to grant a five-year extension on the Norra Karr nr 1 exploration license had been appealed to the Lulea Administrative Court.
- The European Commission announced an Action Plan on critical raw materials aimed to develop resilient value chains for European Union industrial ecosystems, reduce dependency on primary critical raw materials, strengthen domestic sourcing of raw materials in the EU and diversify sourcing from third countries and remove distortions to international trade. The Action Plan included the establishment of a European Raw Materials Alliance to address raw material challenges along industrial ecosystems, provide tailored solutions to industry needs, unlock regulatory bottlenecks and create an investment channel for raw materials projects. The Company has joined ERMA with both the Norra Karr HREE and Woxna Graphite projects.
- Commissioned Zenito Limited, a UK based engineering consultancy, and a range of sub-consultants to produce a Preliminary Economic Assessment study (the "PEA") on the Woxna Graphite project. The PEA

will for the first time include previously developed downstream processes utilizing thermal purification that could enable Woxna Graphite to produce a range of ultra-high purity natural graphite products suitable for the lithium-ion battery market.

Subsequent to October 31, 2020 the Company:

- Appointed Finnish capital markets firm Lago Kapital Oy as liquidity provider for its Nasdaq First North Stockholm listing replacing ABG Sundal Collier ASA.
- Signed a non-binding Letter of Intent with CSE-listed United Lithium Corp. (“ULTH”) contemplating the potential sale of 100% of the Bergby Lithium project. The potential sale is subject to, among other matters, a due-diligence review by ULTH and the signing of a binding Definitive Agreement which the Company is working towards finalizing.
- Commissioned Minviro Ltd., a London based globally recognized life cycle assessment (“LCA”) consultancy, to build an LCA model and deliver an LCA report for the Woxna Graphite project. The LCA work carried out by Minviro includes a cradle-to-gate life cycle inventory and a life cycle impact assessment for five impact categories of interest. The results will be delivered to the Company in form of an ISO-Compliant Full Life Cycle Assessment and Report. In addition, Minviro will benchmark the results for Woxna against other functionally equivalent industry LCA data, including a number of both natural and synthetic graphite alternative products for energy storage applications.

## **Outlook**

The Company’s projects are linked to disruptive high growth industrial applications such as electromobility, renewable energy and energy storage that underpin the transition to a sustainable society. The ongoing COVID-19 crisis has not been able to stop the positive momentum for electric vehicle markets globally during the second half of the year. EV manufacturers have been releasing new models and announced increases in production which combined with further announced governmental incentives to consumers have buoyed demand. In parallel battery manufacturers are planning to meet downstream demand with increased production capacity. With the inauguration of Joe Biden as the president, the United States is now again part of the Paris agreement and recent announcement to move the entire fleet of federal vehicles to electric shows a strong resolve to be part of the global shift towards carbon-neutrality.

Most commodity prices saw positive developments during the second half of 2020 which has continued into 2021. This also applies for battery materials such as graphite, nickel, lithium, and cobalt which all have experienced strong price developments supported by firm downstream demand combined with supply chain disruptions. Similarly, rare earth oxide prices have risen strongly coming into the new year with strong demand from the electric vehicle and wind turbine industries which has limited available spot supplies. More importantly, in January China introduced a draft regulation to increase regulations and take further control of its national rare earth industry. Measures included cracking down on illegal mining and processing, controlling exports and imports of rare earths and further developing a strategic reserve of rare earth resources and products. Globally, governments are continuing efforts to reduce reliance on China for the rare earth and permanent magnet supply chains. These efforts are seeing results materialize in the US and the UK whilst the EU is rapidly working to support the establishment of European rare earth supply chains through the European Raw Materials Alliance launched in 2020 of which the Company is a stakeholder with both its Norra Karr HREE project and Woxna Graphite mine. Sustainability of critical raw materials is moving further up on the political agenda with the European Commission announcing battery regulations that will require labelling on batteries sold in the European Union to specify associated carbon footprint of those. Through the ongoing LCA work the Company has commissioned for the Woxna Graphite mine the Company is looking forward to demonstrating how a potential European sustainable battery materials supply can look like.

Looking ahead in 2021 the Company is working towards finalizing the two separate preliminary economic assessment reports for the Norra Karr HREE project and the Woxna Graphite mine, finalizing the sale of the Bergby lithium project and a final ruling and continued processing of its exclusive exploration license application for the Bihor Sud nickel-cobalt project in Romania. With vaccination efforts ongoing globally, an unprecedented momentum in the underlying fundamental drivers underpinning the Company’s project portfolio strategy we are looking forward to the rest of the new year.

## **Projects Overview**

### ***Woxna Graphite Mine and Production Facility***

The Woxna graphite mine and production facility is comprised of four graphite deposits, an open pit mine, a permit to process 100,000 tonnes of mineralized material per annum, a processing plant and tailings dam, 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. Ongoing development has been directed towards test work focused on the possible production and modification of high purity graphite using thermal purification technologies for emerging high growth high value markets, one such example being the lithium-ion battery industry. Other potential high-value end-markets being investigated are purified micronized graphite for metallurgical and electroconductive additives and purified large flake graphite as a precursor for the production of expandable graphite suitable as a feed for graphite foil and fuel cell bipolar plates.

### ***Norra Karr Heavy Rare Earth Elements Project***

Norra Karr is highly significant within Europe and can deliver a secure long-term source of rare earth elements (“REE”), zirconium, hafnium and niobium to European renewable energy and electric vehicle industries. The Norra Karr REE deposit was first discovered and drill tested in 2009. Following thick intersections of mineralized rock, the project progressed quickly through drill out, metallurgical testing, resource calculation, Preliminary Economic Assessment (“PEA”), environmental and social studies, and Mining Lease application, culminating in a Pre-Feasibility Study (“PFS”) completed in 2015. Relevant supporting documentation can be found on the Company’s website.

A 25-year Mining Lease (exploitation concession) was granted to Tasman Metals AB covering Norra Karr in 2013. In 2016, following an appeal to the Supreme Administrative Court in Sweden regarding the decision-making process of the Bergsstaten under the Minerals Act, the Norra Karr Mining Lease reverted from Granted to Application status. The mining lease application work is ongoing.

In June 2020, the Company received confirmation that the exploration license underlying the mining lease application received an extension with the Bergsstaten to August 31, 2024. Subsequently the Swedish parliament passed legislation to mitigate the impacts of COVID-19 by giving exploration companies an additional year to carry out their work which extends the Norra Karr exploration license to August 31, 2025. Subsequently the decision to grant a five year extension on the Norra Karr nr 1 exploration license has been appealed to the Lulea Administrative Court. The Company will diligently work towards challenging this appeal which the Company has successfully done in the past to ensure security over the Norra Karr heavy rare earth element project.

### ***Bergby Lithium Project***

Bergby is a lithium project located in central Sweden, 25km north of the town of Gavle. The claim area consists of three exploration permits, Bergby 1, 2 and 3, located in central Sweden. Bergby 1 expires June 16, 2022 and Bergby 2 and 3 expire December 7, 2022 and 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% Li<sub>2</sub>O (lithium oxide) and ranged from 0.08% Li<sub>2</sub>O to 2.3% Li<sub>2</sub>O. The boulders are anomalous in other elements which characterize lithium-caesium-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. The Company is working towards finalizing a potential sale of 100% of the project to CSE-listed United Lithium Corp. (“ULTH”). There is no certainty that the parties will be able to conclude the transaction.

### ***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,

with an eye to identifying other opportunities. 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. During 2018 and early 2019, LEM Romania completed various prospecting, sampling and geological activity across an area of 25.5 sq km (2,550 ha) pertaining to the Bihor Sud Prospecting Permit in central western Romania.

On the basis of positive results, in October 2019 LEM Romania elected to submit an Exploration License application to the permitting authority Agenția Națională Pentru Resurse Minerale (“NAMR”) for the Bihor Sud area in a competitive tender process. The LEM Romania tender document was declared as compliant by NAMR. The Company was notified that one other application (submitted by Romanian private company Global Centurions SRL) was received under the competitive tender process. The tender is adjudicated on the basis of technical and financial merit, with substantial credit given to the work completed under the prior Prospecting Permit.

During January 2020 Leading Edge Materials was advised that Global Centurions SRL lodged an appeal to the Bucharest Court of Appeal against NAMR. The appeal seeks to cancel the outcome of the tender process for the Bihor Sud Exploration License before a winner is declared. Adjudication of the tender has been suspended until the appeal by the Second Bid Party has been definitively resolved. The Bucharest Court of Appeal has published a ruling dismissing the appeal against NAMR by the competing bidder for the Bihor Sud Exploration license in Romania as groundless. Subject to the full ruling being served to the parties of the appeal and a subsequent appeal window, NAMR can reinstate the adjudication process of the competing bids for the Bihor Sud Exploration license.

### 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, technical adviser to the Company, has reviewed and verified the contents of this document.

### Financial Information

The report for the three months ended January 31, 2021 is expected to be published on or about March 25, 2021.

### Selected Financial Data

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

	Year Ended October 31,		
	October 31, 2020 \$	October 31, 2019 \$	October 31, 2018 \$
<b>Operations</b>			
Expenses	(2,017,054)	(2,393,498)	(4,493,336)
Other items	295,233	(8,723,909)	107,051
Comprehensive loss	(1,721,821)	(11,117,407)	(4,386,285)
Basic and diluted loss per share	(0.01)	(0.12)	(0.05)
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet</b>			
Working capital	3,277,010	132,551	960,707
Total assets	27,218,052	24,825,107	35,075,446
Total non-current liabilities	(7,053,874)	(7,701,324)	(8,306,212)

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 2020				Fiscal 2019			
	October 31, 2020 \$	July 31, 2020 \$	April 30, 2020 \$	January 31, 2020 \$	October 31, 2019 \$	July 31, 2019 \$	April 30, 2019 \$	January 31, 2019 \$
<b>Operations</b>								
Expenses	(882,556)	(420,959)	(337,609)	(375,930)	(409,297)	(561,771)	(571,749)	(850,681)
Other items	327,987	(21,567)	20,187	(31,374)	(8,799,476)	27,101	46,864	1,602
Comprehensive loss	(554,569)	(442,526)	(317,422)	(407,304)	(9,208,773)	(534,670)	(524,885)	(849,079)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)	(0.01)	(0.01)	(0.01)
<b>Financial Position</b>								
Working capital	3,277,010	3,354,422	499,883	711,727	132,551	518,129	929,183	1,438,895
Total assets	27,218,052	27,832,104	24,722,718	24,803,562	24,825,107	34,088,219	35,359,241	35,766,406
Total non-current liabilities	(7,053,874)	(7,486,123)	(7,452,242)	(7,154,761)	(7,701,324)	(7,876,382)	(8,637,726)	(8,515,027)

## Results of Operations

### *Three Months Ended October 31, 2020 Compared to Three Months Ended July 31, 2020*

During the three months ended October 31, 2020 (“Q4”) the Company reported a net loss of \$554,569 compared to a reported net loss of \$442,526 for the three months ended July 31, 2020 (“Q3”), an increase in loss of \$112,043. During Q4 the Company incurred share-based compensation of \$350,000 which was partially offset by a \$274,329 derecognition of a provision previously made for potential land concession payments.

### *Three Months Ended October 31, 2020 Compared to Three Months Ended October 31, 2019*

During the three months ended October 31, 2020 (“Q4/2020”) the Company reported a net loss of \$554,569 compared to a net loss of \$9,208,773 for the three months ended October 31, 2019 (“Q4/2019”), for a decrease in loss of \$8,654,204. The decrease in loss was primarily attributed to the recognition of an \$8,800,000 impairment provision to property, plant and equipment in Q4/2019.

### *Year Ended October 31, 2020 Compared to Year Ended October 31, 2019*

During the year ended October 31, 2020 (“fiscal 2020”), the Company incurred a net loss of \$1,721,821 compared to a net loss of \$11,117,407 during the year ended October 31, 2019 (“fiscal 2019”), a decrease in loss of \$9,395,586. The decrease in loss is primarily attributed to the recognition of an \$8,800,000 impairment provision to property, plant and equipment in fiscal 2019, a \$430,718 decrease in general administrative expenses in fiscal 2020 and the \$274,329 derecognition reversal of a provision during fiscal 2020.

Specific expenses of note during fiscal 2020 are as follows:

- (i) incurred \$324,473 (2019 - \$483,998) for directors and officers compensation of which \$147,473 was paid to the CEO. See “Related Party Transactions and Balances” for detailed description;
- (ii) recognized share-based compensation of \$350,000 (2019 - \$239,773) on the granting of share options to purchase 3,500,000 (2019 - 2,543,109) common shares of the Company;
- (iii) incurred \$119,020 (2019 - \$136,476) for regulatory fees with respect to ongoing fees for the Company’s listing of its common shares on the Nasdaq First North and TSXV exchanges;
- (iv) incurred a total of \$94,487 (2019 - \$92,421) for accounting and administration services of which \$55,800 (2019 - \$53,100) was incurred for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare, and \$38,687 (2019 - \$39,221) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (v) incurred a total of \$67,510 (2019 - \$118,406) for consulting services provided by consultants for corporate, administrative and financial services;
- (vi) incurred research and development expenses of \$123,976 (2019 - \$108,599). The Company has continued to conduct research and development towards adding value to its projects;
- (vii) incurred general exploration expenses of \$35,175 (2019 - \$95,171) mainly for permitting and associated costs in Sweden and the ongoing application process on the Bihor Sud Project in Romania;
- (viii) incurred \$23,658 (2019 - \$57,137) for travel expenses. Corporate travel and field trips to the Company’s exploration projects were significantly curtailed in fiscal 2020 due to the impact of COVID-19; and

- (ix) incurred a total of \$20,499 (2019- \$162,264) for corporate development expenses. During fiscal 2019 the Company participated in several market awareness programs. These activities were significantly reduced in fiscal 2020.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During fiscal 2020 the Company reported interest and other income of \$25,493 compared to \$21,876 during fiscal 2019. During fiscal 2020 the Company recorded a cost recovery of \$19,588 (2019 - \$35,273) for qualifying expenses attributed to the LiRef research project, which has been included in other income.

During fiscal 2020 the Company recorded a foreign exchange loss of \$71,507 compared to a gain of \$18,942 during fiscal 2019 due to fluctuating exchange rates. In addition, during fiscal 2020 the Company recorded a gain on disposal of capital assets of \$12,644.

### *Financings*

During fiscal 2020 the Company completed the following private placement financings:

- (i) 18,000,000 units at \$0.056 per unit for gross proceeds of \$1,008,000; and  
(ii) 32,000,000 units at a price of \$0.11 per unit for gross proceeds of \$3,520,000.

In addition the Company issued 800,000 common shares on the exercise of warrants for \$80,000. The net proceeds from these financings and warrant exercises have been designated to maintain the Company's projects in Sweden and Romania and for general working capital and corporate purposes.

During fiscal 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. In addition the Company issued 150,000 common shares on the exercise of share options for \$24,000.

### *Property, Plant and Equipment*

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
<b>Cost:</b>						
Balance - 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 - October 31, 2019	81,147	287,018	344,139	7,567,878	8,835,639	17,115,821
Addition	-	-	-	-	2,591	2,591
Adjustment to site restoration	-	-	-	-	(714,302)	(714,302)
Disposal	(65,053)	-	-	-	-	(65,053)
Balance - October 31, 2020	16,094	287,018	344,139	7,567,878	8,123,928	16,339,057
<b>Accumulated Depreciation:</b>						
Balance - 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 - October 31, 2019	(66,889)	(260,272)	(93,506)	(3,910,218)	(5,000,000)	(9,330,885)
Depreciation	(770)	(1,445)	(22,009)	-	-	(24,224)
Disposal	65,053	-	-	-	-	65,053
Balance - October 31, 2020	(2,606)	(261,717)	(115,515)	(3,910,218)	(5,000,000)	(9,290,056)
<b>Carrying Value:</b>						
Balance - October 31, 2019	14,258	26,746	250,633	3,657,660	3,835,639	7,784,936
Balance - October 31, 2020	13,488	25,301	228,624	3,657,660	3,123,928	7,049,001

## Exploration and Evaluation Assets

	Graphite Concessions \$	Norra Karr \$	Bergby \$	Total \$
<b>Balance at October 31, 2018</b>	18,803	15,736,406	407,030	16,162,239
<b>Exploration costs</b>				
Geological	-	23,258	1,297	24,555
Permitting	-	29,564	-	29,564
<b>Balance at October 31, 2019</b>	-	52,822	1,297	54,119
<b>Acquisition costs</b>				
Mining rights	1,972	9,437	4,942	16,351
Recovery	(5,988)	-	-	(5,988)
	(4,016)	9,437	4,942	10,363
<b>Balance at October 31, 2019</b>	14,787	15,798,665	413,269	16,226,721
<b>Exploration costs</b>				
Geological	-	6,102	436	6,538
Permitting	-	10,339	-	10,339
Preliminary economic assessment	-	77,411	-	77,411
	-	93,852	436	94,288
<b>Acquisition costs</b>				
Mining rights	-	-	11,846	11,846
<b>Balance at October 31, 2020</b>	14,787	15,892,517	425,551	16,332,855

## Financial Condition / Capital Resources

During fiscal 2020 the Company recorded a net loss of \$1,721,821 and, as at October 31, 2020, the Company had an accumulated deficit of \$39,893,552 and working capital of \$3,277,010. The Company is maintaining its Woxna Graphite Mine on a “production-ready” basis to minimize costs and is conducting ongoing research and development to produce higher specialty products. The Company has also commissioned PEA studies on the Woxna Graphite and Norra Karr projects. The Company anticipates that it has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months however, 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 Karr 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. See also “COVID-19”.

## 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, 2020 audited annual consolidated financial statements.

### Changes in Accounting Policies

The Company adopted all of the requirements of IFRS 16 - *Leases* ("IFRS 16"), effective November 1, 2019.

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 consolidated financial statements upon the adoption of this new standard.

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, 2020 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 current and former Board of Directors and its executive officers.

(a) During fiscal 2020 and 2019 the following compensation was incurred:

	2020 \$	2019 \$
Mr. Filip Kozlowski, CEO and former director <sup>(1)</sup>	162,473	30,000
Mr. Nick DeMare, CFO and Corporate Secretary <sup>(2)</sup>	30,000	30,000
Mr. Lars-Eric Johansson, Chairman and director <sup>(1)</sup>	15,000	-
Mr. Eric Krafft, director <sup>(1)</sup>	15,000	-
Mr. Daniel Major, director <sup>(1)</sup>	15,000	-
Mr. Mark Saxon, former interim CEO, President and director <sup>(1)(3)</sup>	72,000	144,000
Mr. Michael Hudson, former director <sup>(1)</sup>	15,000	30,000
Mr. Blair Way, former President, CEO and director <sup>(4)</sup>	-	249,998
	<u>324,473</u>	<u>483,998</u>

(1) On May 4, 2020 the Company announced changes to the Board of Directors and senior Management. Messrs. Hudson, Saxon and Kozlowski resigned as Directors and Messrs. Lars-Eric Johansson, Daniel Major and Eric Krafft were appointed as new Directors. Concurrently, a change in senior management was announced with the appointment of Mr. Filip Kozlowski as Chief Executive Officer ("CEO"). Mr. Kozlowski replaced Mr. Mark Saxon, former Interim CEO and President.

(2) Mr. DeMare, the Company's CFO, was appointed as Corporate Secretary on April 30, 2018.

(3) On January 31, 2019, Mr. Saxon was appointed interim CEO and President. See also (4).

(4) Mr. Way resigned as CEO, President and as a director on January 31, 2019 and Mr. Saxon was appointed interim CEO and President. Mr. Way's compensation for fiscal 2019 included a \$200,000 severance payment.

As at October 31, 2020 \$65,858 (2019 - \$91,500) remained unpaid.

In addition, the Company incurred share-based compensation for key management personnel as follows:

	2020 \$	2019 \$
Share-based compensation - Mr. Major	90,000	-
Share-based compensation - Mr. Johansson	90,000	-
Share-based compensation - Mr Kraft	140,000	-
Share-based compensation - Mr. Hudson	-	18,000

	2020 \$	2019 \$
Share-based compensation - Mr. DeMare	5,000	12,000
Share-based compensation - Mr. Saxon	-	24,000
Share-based compensation - Mr. Kozlowski	-	30,000
	<u>325,000</u>	<u>84,000</u>

- (b) During fiscal 2020 the Company incurred \$55,800 (2019 - \$53,100) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$4,020 (2019 - \$4,020) for rent. As at October 31, 2020 \$4,170 (2019 - \$335) remained unpaid.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at January 27, 2021, there were 146,860,500 issued and outstanding common shares, 55,227,855 warrants outstanding with exercise prices ranging from \$0.10 to \$0.37 per share and 9,615,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.64 per share.