



LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JANUARY 31, 2021

(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, 2021 \$ | October 31, 2020 \$ |
|---|---------|---------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 2,619,774 | 3,361,424 |
| GST/VAT receivables | | 74,282 | 43,895 |
| Amounts receivable | | 30,575 | - |
| Prepaid expenses and other | | 155,743 | 129,918 |
| Inventory | | 94,972 | 92,452 |
| Plant stores and supplies | | 102,742 | 100,015 |
| Total current assets | | <u>3,078,088</u> | <u>3,727,704</u> |
| Non-current assets | | | |
| Exploration and evaluation assets | 4 | 16,451,464 | 16,332,855 |
| Property, plant and equipment | 5 | 9,118,752 | 7,049,001 |
| Reclamation deposit | 6 | 111,449 | 108,492 |
| Total non-current assets | | <u>25,681,665</u> | <u>23,490,348</u> |
| TOTAL ASSETS | | <u>28,759,753</u> | <u>27,218,052</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 479,897 | 450,694 |
| Non-current liabilities | | | |
| Provision for site restoration | 6 | 8,543,295 | 6,458,606 |
| Property acquisition obligation | 4(a), 5 | 611,492 | 595,268 |
| Total non-current liabilities | | <u>9,154,787</u> | <u>7,053,874</u> |
| TOTAL LIABILITIES | | <u>9,634,684</u> | <u>7,504,568</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 7 | 53,499,213 | 53,419,350 |
| Share-based payments reserve | 7(d) | 6,187,686 | 6,187,686 |
| Deficit | | (40,561,830) | (39,893,552) |
| TOTAL SHAREHOLDERS' EQUITY | | <u>19,125,069</u> | <u>19,713,484</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>28,759,753</u> | <u>27,218,052</u> |

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 25, 2021 and are signed on its behalf by:

/s/ Eric Krafft
Eric Krafft
Director

/s/ Daniel Major
Daniel Major
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, | |
|---|-------|-----------------------------------|-------------------------|
| | | 2021 \$ | 2020 \$ |
| Expenses | | | |
| Accounting and administration | 8(b) | 53,951 | 31,279 |
| Accretion of provision for site restoration | 6 | 7,890 | 1,942 |
| Audit | | 48,386 | 40,000 |
| Bank charges | | 1,282 | 1,146 |
| Conferences | | 187 | 8,720 |
| Corporate Development | | 34,072 | 10,624 |
| Depreciation | 5 | 7,047 | 6,327 |
| Directors and officer's compensation | 8(a) | 109,664 | 58,500 |
| Environmental | | 16,440 | 10,796 |
| Fuel, electricity and utilities | | 26,190 | 26,520 |
| General exploration | | 7,802 | 1,901 |
| Insurance | | 4,683 | 5,961 |
| Legal | | 7,557 | 6,362 |
| Office | | 10,949 | 10,690 |
| Plant maintenance | | (593) | 9,345 |
| Plant supplies and consumables | | 6,288 | 4,933 |
| Regulatory | | 26,635 | 28,389 |
| Research and development (Preliminary economics assessment) | | 202,700 | 17,528 |
| Salaries, compensation and benefits | | 77,512 | 64,774 |
| Shareholder costs | | 7,975 | 11,749 |
| Transfer agent | | 8,010 | 8,515 |
| Travel | | 48 | 9,929 |
| | | <u>664,675</u> | <u>375,930</u> |
| Loss before other items | | <u>(664,675)</u> | <u>(375,930)</u> |
| Other items | | | |
| Interest income | | 5,423 | 5,145 |
| Other Income | | 1,606 | - |
| Foreign exchange | | (10,632) | (36,519) |
| | | <u>(3,603)</u> | <u>(31,374)</u> |
| Net loss and comprehensive loss | | <u>(668,278)</u> | <u>(407,304)</u> |
| Loss per share - basic and diluted | | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of common shares outstanding | | <u>146,616,269</u> | <u>102,067,391</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, 2021 | | | | | |
|--|-----------------------------|----------------------|--|-----------------------|--------------------------------|
| | Share Capital | | Share-Based Payments Reserve \$ | Deficit \$ | Total Equity \$ |
| | Number of Shares | Amount \$ | | | |
| Balance at October 31, 2020 | 146,467,391 | 53,419,350 | 6,187,686 | (39,893,552) | 19,713,484 |
| Common shares issued for: | | | | | |
| Options Exercised | 393,109 | 79,863 | - | - | 79,863 |
| Net loss for the period | - | - | - | (668,278) | (668,278) |
| Balance at January 31, 2021 | 146,860,500 | 53,499,213 | 6,187,686 | (40,561,830) | (19,125,069) |

| Three Months Ended January 31, 2020 | | | | | |
|--|-----------------------------|----------------------|--|-----------------------|--------------------------------|
| | Share Capital | | Share-Based Payments Reserve \$ | Deficit \$ | Total Equity \$ |
| | Number of Shares | Amount \$ | | | |
| 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 |

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, | |
|---|---|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (668,278) | (407,304) |
| Adjustments for: | | |
| Accretion of provision for site restoration | 7,890 | 1,942 |
| Depreciation | 7,047 | 6,327 |
| Foreign exchange | 8,022 | 6,222 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (30,575) | (382) |
| GST/VAT receivables | (30,387) | (900) |
| Prepaid expenses and other | (25,825) | (2,268) |
| Accounts payable and accrued liabilities | 29,201 | (38,336) |
| Net cash used in operating activities | <u>(702,904)</u> | <u>(434,699)</u> |
| Investing activity | | |
| Expenditures on exploration and evaluation assets | <u>(118,609)</u> | <u>(2,612)</u> |
| Net cash used in investing activity | <u>(118,609)</u> | <u>(2,612)</u> |
| Financing activities | | |
| Issuance of common shares | 79,863 | 1,008,000 |
| Share issue costs | <u>-</u> | <u>(37,342)</u> |
| Net cash provided by financing activities | <u>79,863</u> | <u>970,658</u> |
| Net change in cash | (741,650) | 533,347 |
| Cash at beginning of period | <u>3,361,424</u> | <u>395,609</u> |
| Cash at end of period | <u>2,619,774</u> | <u>928,956</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, 2021
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a Canadian public company primarily focussed on developing a portfolio of critical raw material projects located in the European Union. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Kärr HREE project (Sweden), Bergby lithium project (Sweden, pending sale) and the 51% owned Bihor Sud Nickel Cobalt exploration alliance (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 three months ended January 31, 2021 the Company recorded a net loss of \$668,278 and, as at January 31, 2020, the Company had an accumulated deficit of \$40,561,830 and working capital of \$2,598,191. For 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 whilst such development work is ongoing. For the Norra Kärr HREE project the Company's main focus is progressing the ongoing mining lease application process and development work to increase resource efficiency and minimize local environmental footprint for the project. Finally, for the Bihor Sud exploration alliance the Company is awaiting the conclusion of the current legal proceedings to which the Company is not a party and subsequent adjudication of its lodged exploration license application. 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 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.

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, 2020, 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, 2020.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(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% |
| Bergby Lithium AB | Sweden | 100% |
| Acp Akku Oy | Finland | 100% |
| LEM Resources SRL ("LEM Romania") | Romania | 51% |

4. Exploration and Evaluation Assets

| | As at January 31, 2021 | | | As at October 31, 2020 | | |
|----------------------|-------------------------------|---|--------------------------|-------------------------------|---|--------------------------|
| | Acquisition Costs | Deferred Exploration Costs | Total | Acquisition Costs | Deferred Exploration Costs | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Graphite Concessions | 10,081 | 4,706 | 14,787 | 10,081 | 4,706 | 14,787 |
| Norra Kärr | 15,402,622 | 595,489 | 15,998,111 | 15,402,622 | 489,895 | 15,892,517 |
| Bergby | 66,579 | 371,987 | 438,566 | 66,579 | 358,972 | 425,551 |
| | <u>15,479,282</u> | <u>972,182</u> | <u>16,451,464</u> | <u>15,479,282</u> | <u>853,573</u> | <u>16,332,855</u> |

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

| | Graphite Concessions | Norra Kärr | Bergby | Total |
|------------------------------------|---------------------------------|-------------------|----------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at October 31, 2019 | 14,787 | 15,798,665 | 413,269 | 16,226,721 |
| Exploration costs | | | | |
| Geological | - | 6,102 | 436 | 6,538 |
| Permitting | - | 10,339 | - | 10,339 |
| Preliminary economic assessment | - | 77,411 | - | 77,411 |
| | <u>-</u> | <u>93,852</u> | <u>436</u> | <u>94,288</u> |
| Acquisition costs | | | | |
| Mining rights | - | - | 11,846 | 11,846 |
| Recovery | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>11,846</u> | <u>11,846</u> |
| Balance at October 31, 2020 | 14,787 | 15,892,517 | 425,551 | 16,332,855 |
| Exploration costs | | | | |
| Permitting | - | 16,005 | 10,227 | 26,232 |
| Geological | - | - | 2,786 | 2,786 |
| Preliminary economic assessment | - | 89,590 | - | 89,590 |
| Balance at January 31, 2021 | 14,787 | 15,998,112 | 438,565 | 16,451,464 |

(a) *Graphite Concessions*

Through Woxna, the Company holds a 100% interest in the Woxna Graphite Mine, comprising four concessions, known as Kringelgruvan, 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 Kringelgruvan concession for an initial payment of SEK 150,000 and a further payment of SEK 4,000,000 (the "Property Acquisition Obligation"); and
- (ii) the Mattsmyra, Gropabo and Mansberg concessions (the "Graphite Concessions") for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions the "Additional Consideration").

Payment of the Property Acquisition Obligation and the Additional Consideration is 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 once accumulated profits have been 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 Kringelgruvan concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringelgruvan concession to the development stage of mining. Accordingly the costs of the exploration and evaluation assets attributed to the Kringelgruvan 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, 2021
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

(b) *Norra Kärr*

The Norra Kärr Property consists of an exploration license, valid until August 31, 2025, and a mining lease reapplication, located in south-central Sweden. The exploration license and the mining lease application have been subject to ongoing legal opposition and appeals. In June 2020 the Company received confirmation from the Mining Inspectorate of Sweden that the exploration license was extended to August 31, 2025. The extension decision is under appeal. 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, Bergby 1, 2 and 3 located in central Sweden. Bergby 1 expires June 16, 2022 and Bergby 2 and 3 expire December 7, 2022. On February 11, 2021 the company entered into a definitive agreement to sell 100% of the stake in Bergby Lithium Project, also see Note 12(a).

(d) *Romania Permit Applications*

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 kilometers 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 for an exclusive exploration license for the area is ongoing and only once such exclusive license is obtained will costs be capitalized. Until such time all costs will be expensed.

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;
- (ii) 734,012 common shares on completion of a National Instrument 43-101 compliant resource estimate (the "Resource Estimate"); and
- (iii) 917,515 common shares on completion of a feasibility study.

The Company was required to fund all exploration expenditures and was required to incur a minimum of EUR 150,000 on exploration expenditures by April 26, 2020, which has been met.

The Company is also required to issue 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, 2021
(Unaudited - Expressed in Canadian Dollars)

5. Property, Plant and Equipment

| Cost: | Vehicles \$ | Equipment and Tools \$ | Building \$ | Manufacturing and Processing Facility \$ | Mineral Property Acquisition and Development Costs \$ | Total \$ |
|---|------------------------|---|------------------------|---|--|---------------------|
| Balance at October 31, 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 at October 31, 2020 | 16,094 | 287,018 | 344,139 | 7,567,878 | 8,123,928 | 16,339,057 |
| Adjustment to site restoration | - | - | - | - | 2,076,798 | 2,076,798 |
| Balance at January 31, 2021 | 16,094 | 287,018 | 344,139 | 7,567,878 | 10,200,726 | 18,415,855 |
| Accumulated Depreciation and Impairment: | | | | | | |
| Balance at 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 at October 31, 2020 | (2,606) | (261,717) | (115,515) | (3,910,218) | (5,000,000) | (9,290,056) |
| Depreciation | (224) | (420) | (6,403) | - | - | (7,047) |
| Balance at January 31, 2021 | (2,830) | (262,137) | (121,918) | (3,910,218) | (5,000,000) | (9,297,103) |
| Carrying Value: | | | | | | |
| Balance at October 31, 2020 | 13,488 | 25,301 | 228,624 | 3,657,660 | 3,123,928 | 7,049,001 |
| Balance at January 31, 2021 | 13,264 | 24,881 | 222,221 | 3,657,660 | 3,123,928 | 9,118,752 |

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, 2021 the Company has recognized \$611,492 (October 31, 2020 - \$595,268) for the Property Acquisition Obligation associated with the Kringelgruvan concession, as described in Note 4(a)(i).

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruvan concession is uncertain, the fair value of this obligation is based on information currently available. 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 40,000,000 and is expected to be incurred in 2041.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.07% (2020 - 0%) and an inflation factor of 1.7% (2020 - 0.3%). 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, 2019 | 7,165,140 |
| Accretion | 7,768 |
| Revision of estimates | (1,450,913) |
| Foreign exchange adjustment | <u>736,611</u> |
| Balance at October 31, 2020 | 6,458,606 |
| Accretion | 7,890 |
| Revision of estimates | 1,904,025 |
| Foreign exchange adjustment | <u>172,774</u> |
| Balance at January 31, 2021 | <u>8,543,295</u> |

As at January 31, 2021 reclamation deposits totaling \$111,449 (October 31, 2020 - \$108,492) have been paid. The reclamation deposits were placed as security for site restoration on the Kringelgruvan concession and on certain exploration and evaluation assets.

As at January 31, 2021 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, 2021

During the period ended January 31, 2021, 393,109 options were exercised at a price of \$0.20 per share for gross proceeds of \$79,863.

Fiscal 2020

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

- ii. On August 7, 2020 the Company completed a non-brokered private placement and issued 32,000,000 units at a price of \$0.11 per unit for gross proceeds of \$3,520,000. 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 of the Company at an exercise price of \$0.20 per share, expiring on August 7, 2024. Directors and officers of the Company acquired a total of 27,770,000 units of the private placement.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at January 31, 2021 and 2020 and the changes for the three months ended on those dates is as follows:

| | 2021 | | 2020 | |
|-----------------------------|-------------------|---|-------------------|---|
| | Number | Weighted Average Exercise Price \$ | Number | Weighted Average Exercise Price \$ |
| Balance beginning of period | 55,277,855 | 0.19 | 13,764,595 | 0.58 |
| Issued | - | - | 18,000,000 | 0.10 |
| Expired | - | - | (4,010,376) | 0.70 |
| Balance end of period | 55,277,855 | 0.19 | 27,754,219 | 0.25 |

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 |
|--------------------------|------------------------------|--------------------|
| 6,027,855 | 0.37 | November 21, 2021 |
| 17,200,000 | 0.10 | December 30, 2023 |
| <u>32,000,000</u> | 0.20 | August 7, 2024 |
| <u>55,277,855</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, 2021.

During the three months ended January 31, 2021, 393,109 options were exercised at a price of \$0.20 per share for gross proceeds of \$79,863.

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.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

A summary of the Company's share options at January 31, 2021 and 2020 and the changes for the three months ended on those dates is as follows:

| | 2021 | | 2020 | |
|-----------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| | Number of Options Outstanding | Weighted Average Exercise Price \$ | Number of Options Outstanding | Weighted Average Exercise Price \$ |
| Balance beginning of period | 10,008,109 | 0.34 | 7,163,109 | 0.44 |
| Exercised | (393,109) | 0.20 | - | - |
| Balance end of period | 9,615,000 | 0.34 | 7,163,109 | 0.44 |

The following table summarizes information about the share options outstanding and exercisable at January 31, 2021:

| Number | Exercise Price \$ | Expiry Date |
|------------------|-------------------|------------------|
| 3,465,000 | 0.39 | October 14, 2021 |
| 600,000 | 0.225 | May 30, 2022 |
| 1,900,000 | 0.64 | November 2, 2022 |
| 3,500,000 | 0.155 | August 11, 2023 |
| 150,000 | 0.33 | August 14, 2023 |
| 9,615,000 | | |

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 consist of members of the Company's Board of Directors and its executive officers.

(a) During the three months ended January 31, 2021 and 2020 the following compensation was incurred:

| | 2021 \$ | 2020 \$ |
|---|----------------|---------------|
| Directors and officer's compensation (current and former) | <u>109,664</u> | <u>58,500</u> |

As at January 31, 2021 \$12,865 (October 31, 2020 - \$65,858) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) SKS Business Services Ltd., a private corporation owned by Sanjay Swarup (appointed as Chief Financial Officer ("CFO") of the Company on March 1, 2021), provides accounting and administrative services. During the three months ended January 31, 2021, the Company incurred \$7,880 (2020 - \$NIL) for accounting services by SKS Business Services.

Chase Management Ltd. ("Chase"), a private corporation owned by the Former Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the three months ended January 31, 2021 the Company incurred \$30,651 (2020 - \$22,000) for services provided by Chase personnel, exclusive of the CFO, and \$1,340 (2020 - \$1,005) for rent. As at January 31, 2021 \$15,785 (October 31, 2020 - \$5,835) remained unpaid and has been included in accounts payable and accrued liabilities.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

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, 2021 \$ | October 31, 2020 \$ |
|--|-----------------|------------------------------------|------------------------------------|
| Cash | FVTPL | 2,619,774 | 3,361,424 |
| Amounts receivable | amortized cost | 30,575 | - |
| Reclamation deposit | amortized cost | 111,449 | 108,492 |
| Accounts payable and accrued liabilities | amortized cost | (479,897) | (450,694) |
| Property acquisition obligation | amortized cost | (611,492) | (595,268) |

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.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

9. Financial Instruments and Risk Management (continued)

| | Contractual Maturity Analysis at January 31, 2021 | | | | |
|--|--|--|--------------------------------------|-------------------------------|--------------------------------|
| | Carrying Amount \$ | Contractual Cash Flows \$ | Less than 3 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ |
| Cash | 2,619,774 | 2,619,774 | 2,619,774 | - | - |
| Amounts receivable | 30,575 | 30,575 | - | 30,575 | - |
| Reclamation deposit | 111,449 | 111,449 | - | - | 111,449 |
| Accounts payable and accrued liabilities | (479,897) | (479,897) | (479,897) | - | - |
| Property acquisition obligation | (611,492) | (611,492) | - | (611,492) | - |

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, 2021, 1 Canadian Dollar was equal to 6.54 SEK. Balances are as follows:

| | SEK | CDN \$ Equivalent |
|--|--------------------|------------------------------|
| Cash | 531,567 | 83,843 |
| VAT receivable | 84,804 | 12,967 |
| Inventories | 621,117 | 94,972 |
| Plant stores and supplies | 671,926 | 102,741 |
| Reclamation deposit | 728,876 | 111,449 |
| Accounts payable and accrued liabilities | (2,440,244) | (373,123) |
| Property acquisition obligation | (4,000,000) | (611,492) |
| | <u>(3,801,954)</u> | <u>(578,643)</u> |

Based on the net exposures as of January 31, 2021 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 \$57,900 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.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

10. Supplemental Cash Flow Information

During the three months ended January 31, 2021 and 2020 non-cash activities were conducted by the Company as follows:

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Operating activity | | |
| Provision for site restoration | 2,076,798 | (560,921) |
| Investing activity | | |
| Revisions of estimates on property, plant and equipment | 2,076,798 | 560,921 |

11. Segmented Information

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

| | As at January 31, 2021 | | | |
|-----------------------------------|-------------------------------|---------------------------------------|--|-------------------|
| | Corporate Canada \$ | Mineral Operations Sweden \$ | Mineral Operations Romania \$ | Total \$ |
| Current assets | 2,694,481 | 383,077 | 530 | 3,078,088 |
| Exploration and evaluation assets | - | 16,451,464 | - | 16,451,464 |
| Property, plant and equipment | - | 9,118,752 | - | 9,118,752 |
| Reclamation deposit | - | 111,449 | - | 111,449 |
| | <u>2,694,481</u> | <u>26,064,742</u> | <u>530</u> | <u>28,759,753</u> |
| | As at October 31, 2020 | | | |
| | Corporate Canada \$ | Mineral Operations Sweden \$ | Mineral Operations Romania \$ | Total \$ |
| Current assets | 3,307,444 | 419,740 | 520 | 3,727,704 |
| Exploration and evaluation assets | - | 16,332,855 | - | 16,332,855 |
| Property, plant and equipment | - | 7,049,001 | - | 7,049,001 |
| Reclamation deposit | - | 108,492 | - | 108,492 |
| | <u>3,307,444</u> | <u>23,910,088</u> | <u>520</u> | <u>27,218,052</u> |

12. Events after the Reporting Period

- a) On February 11, 2021 the company entered into a definitive agreement to sell 100% of the stake in Bergby Lithium Project. Closing of the transactions subject to, among other matters, closing deliverables being finalized.
- b) On March 1, 2021, Sanjay Swarup is appointed as the Chief Financial Officer ("CFO") of the Company.