



# LEADING EDGE MATERIALS CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED APRIL 30, 2021

This discussion and analysis of financial position and results of operation is prepared as at June 23, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended April 30, 2021 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 Canadian 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 Woxna project has never defined a mineral reserve. On June 9, 2021, Leading Edge announced the results of an independent preliminary economic assessment for the development of Woxna (the "2021 PEA"), the full details of which will be included in a technical report which will be available on Leading Edge's website and under its SEDAR profile on or before July 23, 2021. The 2021 PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing or other relevant issues, 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 focused on developing a portfolio of critical raw material projects located in the European Union. 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 batteries for electromobility and energy storage and permanent magnets for electric motors and wind power that underpin the clean energy transition towards climate neutrality. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Kärr HREE 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	- Corporate Secretary
Sanjay Swarup	- CFO
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 April 30, 2021, the Company:

- Appointed Mr. Sanjay Swarup as new Chief Financial Officer on March 1, 2021
- Held its Annual General Meeting of Shareholders on April 21, 2021, where shareholders voted in favour of setting the number of directors at three and for the re-election of all director nominees. In addition, shareholders also approved the ratification of the Company's 10% rolling stock option plan and the appointment of D&H Group LLP, Chartered Professional Accountants, as the auditors of the Company for the ensuing year and the authorization for the directors of the Company to fix their remuneration.
- On April 29, 2021, the company completed the sale to United Lithium Corp. (ULTH) of 100% of the issued and outstanding share capital of Bergby Lithium AB

Subsequent to April 30, 2021, the Company:

- On May 5, 2021, the Mining Inspectorate of Sweden decided to reject the mining lease application for the Norra Karr project. The Company subsequently appealed this decision to the Government of Sweden.
- The Company announced on June 9, 2021, positive preliminary economic assessment results for its Woxna graphite anode project with US\$317/US\$248 million pre/post-tax NPV and 42.9%/37.4% pre/post-tax IRR.
- On June 21, 2021, the Company announced preliminary life cycle assessment results on the Woxna Graphite project demonstrating potential 90% lower carbon footprint compared with currently dominating Chinese supply alternatives.
- The company changed the name of its subsidiary from Tasman Metals AB to GRENN Mineral AB.
- The company has filed the documents for dissolution of its subsidiary ACP Akku Oy.

## 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 fundamental drivers behind the Company's strategy continue to show positive momentum. G7 leaders after their latest summit published a shared agenda outlining a commitment to a "green revolution" with the objective to cap the rise in global temperatures to 1.5°C and promising to reach net-zero carbon emissions by 2050 and halve emissions by 2030. On an EU level Commissioner Thierry Breton in a recent speech called on member states to identify critical raw material mining, processing and waste valorisation projects that can be operational by 2025, specifically mentioning critical raw materials like rare earths and natural graphite. The Commissioner further emphasized the economic, geopolitical, and moral reasons why sustainable mining in the EU should be developed.

The planned production capacity of lithium-ion batteries in Europe is continuously expanding. Examples like Northvolt's recent capital raise of US\$2.75bn to increase planned capacity at its Swedish battery factory from 40GWh to 60GWh, and subsequent announcement of an additional joint battery factory together with Volvo Cars for 50GWh shows the expected demand growth in Europe. In parallel an emerging theme is developing with a noteworthy potential misallocation of capital investment across the battery value chain. The planned capacity and associated capital investments in the downstream parts of the value chain has led to a point where expected future demand is close to being met. However, the situation is the complete opposite when looking at some of the upstream parts of the value chain where graphite and anode materials stand out as becoming the biggest supply gap. These raw materials need to come from somewhere in order for the battery factories to meet their production targets, and European supply alternatives would be a more resilient and sustainable solution.

We have demonstrated the potential viability and associated economic potential of our Woxna Graphite anode project through the recent release of the results from a preliminary economic assessment ("PEA"). The positive PEA results were subsequently complemented with the preliminary life cycle assessment results for the project

showing a potential 90% reduction of carbon footprint when compared with current Chinese supply alternatives that dominate the market.

The upcoming finalization of the PEA for Norra Karr is targeted to provide the same demonstrated opportunity for Europe but for rare earths. The redesigned project in the PEA will form the basis for a renewed permitting process trying to leave the past history of rejections and appeals behind us and show a positive path forward for the project.

## **Projects Overview**

### ***Woxna Graphite Anode Project***

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.

On June 9, 2021, the Company announced preliminary economic assessment results for a vertically integrated mine to anode material production. The main results from the PEA as released on June 9, 2021 were the following where all figures are US dollars unless otherwise specified;

#### **Main PEA Highlights**

- The PEA indicates the potential viability of a Swedish operation producing battery grade graphite anode material utilizing an existing graphite mine and concentrator with the addition of a value-add processing facility offsite;
- The proposed process route in the PEA uses a thermal purification process which, combined with access to low cost hydropower offers a low carbon footprint for the Project to be further demonstrated in an upcoming life cycle assessment (LCA) report. The PEA also focused on improved waste management process for tailings further improving the sustainability ambitions of the Project;
- The Report shows a financially robust Project with average annual EBITDA of \$49m and a pre-tax Internal Rate of Return (IRR) of 42.9%;
- The PEA utilizes one out of four deposits currently owned by Woxna under granted exploitation concessions, where two of the other deposits also have indicated and inferred mineral resource estimates offering potential upside for further expansion in future development or studies;

#### **Project Financial Highlights**

- Pre-tax Net Present Value (NPV) of \$317m using an 8% discount rate
- Pre-tax IRR of 42.9%
- Accumulated project revenues of \$1,425m
- Average annual EBITDA of \$49m
- Initial Capital Expenditures (CAPEX) of \$121m
- Pre-tax Payback Period from first production of 2.24 years
- Operating cost per tonne of coated spherical purified graphite (CSPG) of \$2,519 after revenue credit from micronized graphite product

#### **Operational Highlights**

- Life of Project (LOP) is 19 years
- Life of Mine (LOM) is 15 years

- LOM average annual plant feed of 159,967 tonnes
- LOM average annual CSPG product 7,435 tonnes
- LOM average annual micronized graphite product 8,421 tonnes
- LOM average strip ratio of 3.7:1

On June 21, 2021, preliminary life cycle assessment results were announced showing that the production of 1 tonne of natural graphite anode material (coated spherical purified graphite (“CSPG”) from natural graphite extracted at the Woxna Graphite mine is forecast to have an impact of 1.8 tonnes CO2 eq. Minviro applied the same methodology in the report to evaluate current Chinese natural and synthetic graphite anode material, with Woxna CSPG demonstrating an 85% to 90% lower impact than the current market dominant Chinese alternatives. A significant factor influencing the dramatically reduced carbon footprint for Woxna Graphite is the access to hydropower as the main electricity source.

### ***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 acquired by the Company 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 the Company’s Swedish subsidiary Tasman Metals AB, recently renamed to GREENNA Mineral 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. On May 5, 2021, Bergsstaten rejected the mining lease application and the Company has subsequently appealed this decision to the Government of Sweden.

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. The extension of the exploration license was appealed, and the administrative court of Lulea rejected the appeal earlier this year, upon which the case has been appealed to the next instance which is pending decision to grant leave of appeal. The extension of the exploration license remains in force until a final ruling in the case has been made, and remains in force until a final ruling has been made on the mining lease application. 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. The Company is in the process of finalizing a preliminary economic assessment study with the objective to maximize resource efficiency of the project whilst minimizing the local footprint of the project by incorporating technical advancements and valorisation of by-products.

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

On April 29, 2021 the company completed the sale to United Lithium Corp. (ULTH) of 100% of the issued and outstanding share capital of Bergby Lithium AB. In consideration for the shares of Bergby, the Company’s wholly owned subsidiary, GREENNA Mineral AB as the owner of the Bergby shares, received from ULTH:

- CAD 250,000 in cash;
- 1,031,864 common shares in the capital of ULTH.
- 400,000 common share purchase warrants, with each Warrant entitling Tasman Metals to acquire, for a period of 36 months from the closing date of the Transaction, one common share in the capital of ULTH. at an exercise price equal to approximately CAD 0.485; and

- a 2% net smelter returns royalty on the Project, which is subject to a buyback right in favour of ULTH, exercisable for CAD 1,000,000.

The ULTH Shares are escrowed and will be released over a 20-month period. ULTH shall also pay an additional CAD 250,000 in cash on October 29, 2021.

### ***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 based on 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 Woxna Graphite Project, Mr. Christopher Stinton, BSc (Hons), CEng MIMMM, being the lead PEA consultant and for the processing and infrastructure, has reviewed and verified the contents of this document relating to the Woxna Graphite project.

The qualified person for the Company's projects, 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 quarter ending July 31, 2021, is expected to be published on or about September 27, 2021.

### **Selected Financial Data**

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

Three Months Ended	Fiscal 2021		Fiscal 2020				Fiscal 2019	
	April 30, 2021 \$	January 31, 2021 \$	October 31, 2020 \$	July 31, 2020 \$	April 30, 2020 \$	January 31, 2020 \$	October 31, 2019 \$	July 31, 2019 \$
<b>Operations</b>								
Expenses	(483,495)	(664,675)	(882,556)	(420,959)	(337,609)	(375,930)	(409,297)	(561,771)
Other items	1,573,567	(3,603)	327,987	(21,567)	20,187	(31,374)	(8,799,476)	27,101
Comprehensive profit/(loss)	1,090,072	(668,278)	(554,569)	(442,526)	(317,422)	(407,304)	(9,208,773)	(534,670)
Basic Profit/(loss) per share	0.01	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)	(0.01)
Diluted profit/(loss) per share	0.01	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)	(0.01)
<b>Financial Position</b>								
Working capital	3,935,156	2,598,191	3,277,010	3,354,422	499,883	711,727	132,551	518,129
Total assets	29,133,933	28,759,753	27,218,052	27,832,104	24,722,718	24,803,562	24,825,107	34,088,219
Total non-current liabilities	(8,620,700)	(9,154,787)	(7,053,874)	(7,486,123)	(7,452,242)	(7,154,761)	(7,701,324)	(7,876,382)

## Results of Operations

### *Three Months Ended April 30, 2021 Compared to Three Months Ended January 31, 2021*

During the three months ended April 31, 2021 ("Q2") the Company reported a net profit of \$1,090,072 compared to a reported net loss of \$668,278 for the three months ended January 31, 2021 ("Q1"), a decrease in loss of \$1,758,351, mainly due to gain on sale of the Bergby Project amounting to \$1,472,255.

### *Six Months Ended April 30, 2021 Compared to Six Months Ended April 30, 2020*

During the six months ended April 30, 2021 ("2021 period") the Company reported a net profit of \$421,796 compared to a net loss of \$724,726 for the six months ended April 30, 2020 ("2020 period"), a decrease in loss of \$1,146,522. The decrease in loss was primarily attributed to the gain on sale of the Bergby Project.

Specific expenses of note during six months ended April 30, 2021 are as follows:

- (i) incurred \$215,680 (2020 - \$117,000) for directors and officer's compensation.
- (ii) incurred \$49,961 (2020 - \$68,629) 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.
- (iii) incurred a total of \$141,974 (2020 - \$100,010) for accounting and administration services and audit out of which \$36,099 (2020 - \$33,550) was incurred for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, and the Company incurred \$20,503 (2020 - \$NIL) for accounting services of SKS Business Services along with \$14,153 (2020 - \$9,279) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred research and development expenses of \$240,001 (2020 - \$22,160). The Company has increased research and development towards adding value to its projects such as the preliminary economic assessment studies on Woxna and Norra Karr;
- (v) incurred \$170,231 (2020 - \$144,095) for salary and staff expenses.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the six months ended April 30, 2021 the Company reported interest income of \$9,119 compared to \$7,364 during the six months ended April 30, 2020.

During the six months ended April 30, 2021, the Company recorded a foreign exchange gain of \$66,413 compared to a loss of \$31,195 during six months ended April 30, 2020 period due to changes in exchange rates.

### *Financings*

During the six months ended April 30, 2021 the company has issued 493,109 shares due to exercise of options by option holders for gross proceeds of \$95,348.

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.

## 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, 2019	81,147	287,018	344,139	7,567,878	8,835,639	17,115,821
Addition	-	-	-	-	2,591	2,590
Disposal	(65,053)	-	-	-	-	(65,053)
Adjustment to site restoration	-	-	-	-	(714,302)	(714,302)
	<u>16,094</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>8,123,928</u>	<u>16,339,057</u>
Balance - October 31, 2020	16,094	287,018	344,139	7,567,878	8,123,928	16,339,057
Addition	-	-	-	-	-	-
Adjustment to site restoration	-	-	-	-	1,564,936	1,564,936
Disposal	-	-	-	-	-	-
	<u>16,094</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>9,688,864</u>	<u>17,903,993</u>
Balance - April 30, 2021	<u>16,094</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>9,688,864</u>	<u>17,903,993</u>
<b>Accumulated Depreciation:</b>						
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
	<u>(2,606)</u>	<u>(261,717)</u>	<u>(115,515)</u>	<u>(3,910,218)</u>	<u>(5,000,000)</u>	<u>(9,290,056)</u>
Balance - October 31, 2020	(2,606)	(261,717)	(115,515)	(3,910,218)	(5,000,000)	(9,290,056)
Depreciation	(443)	(830)	(12,660)	-	-	(13,933)
Disposal	-	-	-	-	-	-
	<u>(3,049)</u>	<u>(262,547)</u>	<u>(128,175)</u>	<u>(3,910,218)</u>	<u>(5,000,000)</u>	<u>(9,303,989)</u>
Balance - April 30, 2021	<u>(3,049)</u>	<u>(262,547)</u>	<u>(128,175)</u>	<u>(3,910,218)</u>	<u>(5,000,000)</u>	<u>(9,303,989)</u>
<b>Carrying Value:</b>						
Balance - October 31, 2020	<u>13,488</u>	<u>25,301</u>	<u>228,624</u>	<u>3,657,660</u>	<u>3,123,928</u>	<u>7,049,001</u>
<b>Balance - April 30, 2021</b>	<b><u>13,045</u></b>	<b><u>24,471</u></b>	<b><u>215,964</u></b>	<b><u>3,657,660</u></b>	<b><u>4,688,864</u></b>	<b><u>8,600,004</u></b>

## Exploration and Evaluation Assets

	Graphite Concessions \$	Norra Karr \$	Bergby \$	Total \$
<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
Preliminary economic assessment	-	77,411	-	77,411
Permitting	-	10,339	-	10,339
	-	93,852	436	94,288
<b>Acquisition costs</b>				
Mining rights	-	-	11,846	11,846
Recovery	-	-	-	-
	-	-	11,846	11,846
<b>Balance at October 31, 2020</b>	14,787	15,892,517	425,551	16,332,855
<b>Exploration costs</b>				
Geological	-	-	2,786	2,786
Permitting	-	18,331	10,227	28,558
Preliminary economic assessment	-	284,573	-	284,573
Sale of property	-	-	(438,564)	(438,564)
	-	302,904	(425,551)	(122,647)
<b>Acquisition costs</b>				
Mining rights	-	-	-	-
<b>Balance at April 30, 2021</b>	<b>14,787</b>	<b>16,195,421</b>	<b>-</b>	<b>16,210,208</b>

## Financial Condition / Capital Resources

During the six months ended April 30, 2021, the Company recorded a net profit of \$421,796 and, as at April 30, 2021 the Company had an accumulated deficit of \$39,471,756 and working capital of \$3,935,156. 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 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

There is no change in accounting policy during the six months ended April 30, 2021.

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 six months ended April 30, 2021 and 2020 the following compensation was incurred:

	2021 \$	2020 \$
Mr. Filip Kozlowski, CEO and former director <sup>(1)</sup>	156,512	15,000
Mr. Nick DeMare, former CFO and Corporate Secretary <sup>(2)</sup>	10,000	15,000
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. Sanjay Swarup, CFO <sup>(3)</sup>	4,168	-
Mr. Mark Saxon, former interim CEO, President and director <sup>(1)(3)</sup>	-	72,000
Mr. Michael Hudson, former director <sup>(1)</sup>	-	15,000
	<u>215,680</u>	<u>117,000</u>

(1) On May 4, 2020 the Company announced changes to the Board of Directors and senior Management. Messr. Hudson, Saxon and Kozlowski resigned as Directors and Messr. 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 ex CFO, was appointed as Corporate Secretary on April 30, 2018.

(3) Mr. Sanjay Swarup of SKS Business Services has been appointed as CFO from March 1, 2021.

(b) During the six months ended April 30, 2021 period the Company incurred \$36,099 (2020 - \$33,550) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$1,675 (2020 - \$2,010) for rent. During the six months ended April 30, 2021, the Company incurred \$20,503 (2020 - \$NIL) for accounting services of SKS Business Services.

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at June 23, 2021, there were 146,960,500 issued and outstanding common shares, 55,227,855 warrants outstanding with exercise prices ranging from \$0.10 to \$0.37 per share and 9,515,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.64 per share.