



LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED JULY 31, 2022

This Management's Discussion and Analysis ("Interim MD&A") of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"), dated September 28, 2022, should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended July 31, 2022, and the most recent annual audited consolidated financial statements and annual Management's Discussion and Analysis. The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and on the Company's website www.leadingedgematerials.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 or a feasibility study and the associated increased risk of technical and economic failure in case of restarting production; risks relating to the preliminary and non-binding nature of the MOU with Sicona.

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 declared COVID-19 a pandemic. At this time, World Health Organization has not yet announced the end of the pandemic. The duration and full financial effect of the COVID-19 pandemic is unknown at this time with management monitoring developments across all jurisdictions and will adjust its planning as necessary.

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", on Nasdaq First North Stockholm under the symbol "LEMSE" and on Frankfurt under the symbol "7FL". The Company's principal office is located at 14th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1. 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 Karr HREE project (Sweden) and the 51% owned Bihor Sud Nickel Cobalt exploration project (Romania).

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

Filip Kozlowski	- CEO
Manuela Balaj-Coroiu	- Corporate Secretary
Sanjay Swarup	- CFO
Lars-Eric Johansson	- Director and Non-Executive Chairman
Eric Krafft	- Director
Daniel Major	- Director

Mangold Fondkommission AB is the Company's Certified Adviser on Nasdaq First North and may be contacted via email CA@mangold.se or by phone +46 (0) 8 5030 1550.

Highlights During and After the Quarter

During the three months ended July 31, 2022:

- On May 17, 2022, the Company signed Bihor Sud Exploration License between the Company's subsidiary LEM Romania SRL and National Agency for Mineral Resources, Romania ("NAMR").
- On June 21, 2022, the Company took a decision to initiate a Natura 2000 permit application process for the Norra Karr project and retract the appeal against the mining lease rejection for Norra Karr.
- On July 15, 2022, the Company received confirmation that NAMR approved the first-year exploration program for the Bihor Sud exploration license.

Subsequent to July 31, 2022:

- On August 30, 2022, the Company announced a change in senior Management with the resignation of Mr. Filip Kozlowski, CEO of the Company, effective as of October 14, 2022. Mr. Eric Krafft, Director of the Company will be named interim CEO.

Outlook

On August 30, Leading Edge Materials announced a management change with CEO Filip Kozlowski leaving his role on October 14, to be replaced by director Eric Krafft as acting CEO. A recruitment process is ongoing for a new CEO for the Company that will set the course for the next phase of growth.

Pricing for both graphite¹ and rare earth oxides² have been reversing gains displayed earlier in the year. Downstream demand has been negatively impacted by a challenging power supply situation with temporary industrial shutdowns³ and substantial COVID lockdowns in China⁴. Longer term, the demand outlook for graphite from the battery industry is continuing to grow with for example the announcement of a massive 100 GWh battery plant by CATL in Hungary⁵.

Europe is accelerating policy measures to increase its raw materials security by going forward with plans for a Critical Raw Materials Act⁶ and a European Sovereignty fund that will look to support projects of strategic interest⁷.

Sweden held parliamentary elections in September with a right-wing coalition winning the majority of mandates, indicating a change in government once negotiations are done. Parties of the coalition have expressed their positive sentiment towards a strong and growing Swedish mining industry.

Preparatory studies and work are ongoing for the upcoming permitting process for Norra Kärr. The Company is continuing to evaluate the potential restart of flake graphite production at the Woxna mine with a careful consideration on the weakening macroeconomic outlook for European industry. The longer term opportunity to produce a graphite anode material is still the main focus and the Company is awaiting results from planned testwork with its potential JV partner Sicona. Since the granting of the exploration license in Romania an exploration team has been established and initial exploration work such as mapping and sampling having started on the ground with interesting targets for further evaluation already identified. Geophysical studies are scheduled to start while preparatory work is being done do enable the opening of old mining galleries which would provide an excellent exploration opportunity over the winter season.

¹ <https://www.fastmarkets.com/commodity-price/graphite-flake-94-c-100-mesh-cif-europe-mb-gra-0039>

² <https://www.metal.com/price/Rare%20Earth/Rare-Earth-Oxides>

³ <https://technode.com/2022/08/22/chinese-battery-giants-face-production-cuts-as-power-outages-continue-in-sichuan/>

⁴ <https://www.mining.com/web/metals-rout-deepens-as-china-lockdowns-add-to-growth-fears/>

⁵ <https://electrek.co/2022/08/12/catl-announces-giant-new-100-gwh-battery-plant-hungary/>

⁶ <https://www.linkedin.com/pulse/critical-raw-materials-act-securing-new-gas-oil-heart-thierry-breton/>

⁷ <https://www.linkedin.com/pulse/european-sovereignty-fund-industry-made-europe-thierry-breton/>

Financial Information

The annual audited consolidated financial statements for the year ending October 31, 2022, is expected to be published on or about January 25, 2023.

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 2022			Fiscal 2021			Fiscal 2020	
	July 31, 2022 \$	April 30, 2022 \$	January 31, 2022 \$	October 31, 2021 \$	July 31, 2021 \$	April 30, 2021 \$	January 31, 2021 \$	October 31, 2020 \$
Operations								
Expenses	(419,050)	(433,894)	(1,874,407)	(460,907)	(600,531)	(483,495)	(664,674)	(882,556)
Other items	(190,659)	(356,226)	(219,942)	(94,018)	(477,057)	1,573,567	(3,603)	327,987
Comprehensive profit/(loss)	(609,709)	(790,120)	(2,094,349)	(554,925)	(1,077,588)	1,090,072	(668,277)	(554,569)
Basic Profit/(loss) per share	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.00)	(0.01)
Diluted profit/(loss) per share	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.00)	(0.01)
Financial Position								
Working capital	1,686,095	2,396,484	3,236,870	2,350,166	2,803,903	3,935,156	2,598,191	3,277,010
Total assets	24,827,062	25,000,847	30,597,341	28,756,406	28,455,148	29,133,933	28,759,753	27,218,052
Total non-current liabilities	(6,159,922)	(6,045,964)	(10,812,012)	(9,946,686)	(9,054,376)	(8,620,700)	(9,154,787)	(7,053,874)

Results of Operations

Three Months Ended July 31, 2022, Compared to Three Months Ended April 30, 2022

During the three months ended July 31, 2022 ("Q3 2022") the Company reported a net loss of \$609,709 compared to a reported net loss of \$790,120 for the three months ended April 30, 2022 ("Q2 2022"), a decrease in loss of \$180,411, the decrease in loss mainly due to a reduced loss on revaluation of marketable securities of \$126,036 booked in Q3 2022 compared to \$357,800 in Q2 2022.

Three Months Ended July 31, 2022, Compared to Three Months Ended July 31, 2021

During the three months ended July 31, 2022 ("2022 period"), the Company reported a net loss of \$609,709 compared to a net loss of \$1,077,588 for the three months ended July 31, 2021 ("2021 period"), a decrease in loss of \$467,879, the decrease in loss mainly due to a reduced loss on revaluation of marketable securities of \$126,036 booked in the 2022 period compared to \$430,315 booked in the 2021 period.

Specific expenses of note during three months ended July 31, 2022 are as follows:

- (i) incurred \$97,482 (2021 - \$96,471) for directors and officer's compensation.
- (ii) incurred \$67,500 (2021 - \$55,929) for listing and regulatory fees with respect to ongoing fees for the Company's listing of its common shares on the TSXV, Nasdaq First North and OTC exchanges.
- (iii) incurred a total of \$29,915 (2021 - \$41,848) for finance and audit out of which the Company incurred \$11,827 (2021 - \$11,398) for accounting services of SKS Business Services along with \$7,373 (2021 - \$19,132) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred exploration and evaluation expenses of \$26,240 (2021 - \$99,241);
- (v) incurred \$101,437 (2021 - \$136,293) in costs for operations.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the three months ended July 31, 2022 the Company reported interest income of \$7,375 compared to \$2,880 during the three months' ended July 31, 2021.

During the three months ended July 31, 2022, the Company recorded a foreign exchange loss of \$75,140 due to changes in exchange rates, compared to a loss of \$58,430 during the three months ended July 31, 2021.

Financings

During the three months ended July 31, 2022, 300,000 options were exercised gross proceeds of \$67,500.

During the nine months ended July 31, 2022, 500,000 options and 4,421,428 warrants were exercised for gross proceeds of \$112,500 and \$1,620,500 respectively.

During the nine months ended July 31, 2022, 550,509 shares were issued to REMAT group at a fair value of \$178,916 per joint venture agreement for the Bihor Sud project and 27,525 shares were issued at fair value of \$9,083 as finder fees, both relating to the signing of the exploration license for the project.

3,200,000 share options were granted during nine months ended July 31, 2022, at an exercise price of \$0.62.

Financial Condition / Capital Resources

During the three months ended July 31, 2022, the Company recorded a net loss of \$609,709 and, as of July 31, 2022, the Company had an accumulated deficit of \$44,598,448 and working capital of \$1,686,095. 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 value specialty products. The Company is also evaluating a potential restart of production at the Woxna Graphite Mine. 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, establish a production facility for the Anode Project, to fund future development of the Norra Karr Property or to complete 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, 2021 audited annual consolidated financial statements.

Changes in Accounting Policies

There is no change in accounting policy during the nine months ended July 31, 2022.

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, 2021 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 consist of members of the Company's current and former Board of Directors and its executive officers.

(a) During the nine months ended July 31, 2022 and 2021 the following compensation was incurred:

	2022	2021
	\$	\$
Mr. Filip Kozlowski, CEO and former director ⁽¹⁾	192,132	222,778
Mr. Nick DeMare, former CFO and former Corporate Secretary ⁽²⁾	-	10,000
Mr. Lars-Eric Johansson, Chairman and director ⁽¹⁾	22,500	22,500
Mr. Eric Krafft, director ⁽¹⁾	22,500	22,500
Mr. Daniel Major, director ⁽¹⁾	22,500	22,500
Mr. Sanjay Swarup, CFO ⁽³⁾	23,929	11,873
Ms. Manuela Balaj-Coroiu, Corporate Secretary ⁽⁴⁾	11,960	-
	<u>295,521</u>	<u>312,151</u>

(1) Lars-Eric Johansson, Daniel Major and Eric Krafft were appointed as new Directors on May 4, 2020. Concurrently, a change in senior management was announced with the appointment of Mr. Filip Kozlowski as Chief Executive Officer ("CEO") who had resigned as a Director on the same date. On August 30, 2022 Filip Kozlowski resigned from the post of CEO effective on October 14, 2022 with Eric Krafft taking over as interim CEO.

(2) Mr. DeMare, the Company's ex CFO, ceased as Corporate Secretary on April 28, 2022.

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

(4) Ms. Manuela Balaj-Coroiu of Cohesion Consulting Group Inc has been appointed as a Company Secretary of the on April 28, 2022

(b) During the nine months ended July 31, 2022, the Company incurred \$35,399 (2021 - \$31,901) for accounting services of SKS Business Services.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As of September 28, 2022, there were 152,523,533 issued and outstanding common shares, 49,079,286 warrants outstanding with exercise prices ranging from \$0.10 to \$0.20 per share and 8,070,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.64 per share.