



# **LEADING EDGE MATERIALS CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED JANUARY 31, 2023**

This Management's Discussion and Analysis ("Interim MD&A") of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"), dated March 22, 2023, should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended January 31, 2023, 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](http://www.sedar.com) and on the Company's website [www.leadingedgematerials.com](http://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) and 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:

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

Mangold Fondkommission AB is the Company's Certified Adviser on Nasdaq First North.

## Highlights During and After the Quarter

During the three months ended January 31, 2023:

- On November 3, 2022, the Company also granted stock options to officers and consultants to purchase an aggregate of 700,000 common shares of the Company, at exercise price of \$0.20 per Optioned Share, expiring on the date that is 5 years from the date of grant. The Options will vest 33% one year after the date of grant, 33% two years after the date of grant and 34% three years after the date of grant. The Options were issued pursuant to the terms of the Company's Option Plan.
- On January 9, 2023, the company issued 13,000,000 common shares on the exercise of 13,000,000 warrants by the Interim CEO for the proceeds of \$1,300,000.
- On January 23, 2023, the company announced that it is ahead of schedule in exploration of its exclusive and 100% owned Bihor Sud license in the Apuseni Mountains of central-western Romania. Furthermore, extensive Nickel and Cobalt mineralisation has been visually identified over 100 m in the first of the recently opened historic galleries on the property.

Subsequent to January 31, 2023:

- On March 1, 2023, the Company announced it identified extensive Co-Ni-mineralization 50 metres above the previously reported Gallery 7 at its Bihor Sud project in the Apuseni Mountains of central-western Romania.

## Outlook

The last months have not been short of geopolitical turbulence and macro-economic challenges. If one is inclined to find a positive spin on effects of the difficulties we are facing in Europe, it may be that challenges and questions are of such large magnitude that politicians and citizens realise that we need to be open minded for large legislative changes. It has become undeniable that becoming dependent on others who may not share our values or geopolitical goals is unwise. This manifests itself in ways relevant to us by, for example, the recently proposed EU Critical Raw Materials Act.<sup>1</sup>

In brief, the proposed legislation is an enormous effort to support current and stimulate future sustainable supply chains of these deemed critical raw materials from within the union. The impact on us and our activities cannot be overstated: we are in Europe, it applies specifically to all the materials we are exposed to, streamlined and predictable permitting procedures for strategic projects, improved access to finance, etc. Cautiously factoring in beneficial additional order effects and improving public realisation of importance of sustainable access to these materials, we have to conclude that it is about twenty years since we felt such optimism for extractive industries. We are looking forward to following these important initiatives and will be reporting in due course how they directly apply to us.

Our built and permitted Woxna graphite mine and plant continues to be meticulously kept on care and maintenance. As reported, we are evaluating a restart of the mine to initially produce graphite concentrate. Aside from technical and product marketing aspects, needless to say the assessment by the Board of Directors in regard to shareholder value is key in driving a restart decision. Given the EU CRMA, the strategic importance of Woxna is enhanced in our opinion.

For the Norra Karr project, we took the decision to initiate a Natura 2000 permit application process. By doing this based on the new design of the Norra Karr project we will benefit from authorities and other stakeholders evaluating the merits of the project based on the most recent plans that substantially reduce the potential for environmental risk. In parallel, through the various environmental and metallurgical studies that may be required to support the Natura 2000 permit application the Company can further progress the Norra Karr project towards its next stages of feasibility development. We will continue to adapt our path should the legal framework evolve going forward. Aspects of the proposed EUCRMA appear particularly relevant to this project.

---

<sup>1</sup> [https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act\\_en](https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act_en)

Lastly, since having received permission to enter underground galleries at our Romanian exploration project in January, this has been advancing rapidly. Results have not disappointed: in the first target gallery G7 we have encountered visual Co-Ni mineralisation over 135 m. Additionally, further extensive Co-Ni mineralisation has been identified in G4, 50 m above and in the cross-cut and raise connecting these two galleries. This indicates that we are potentially encountering sizeable systems with good potential. Immediate focus is on finishing the five exploration trenches, mapping and sampling the mineralised zones inside the galleries.

## Financial Information

The report for three months ending April 30, 2023, is expected to be published on or about June 21, 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 2023	Fiscal 2022				Fiscal 2021		
	January 31, 2023 \$	October 31, 2022 \$	July 31, 2022 \$	April 30, 2022 \$	January 31, 2022 \$	October 31, 2021 \$	July 31, 2021 \$	April 30, 2021 \$
<b>Operations</b>								
Expenses	(570,549)	(425,075)	(419,050)	(433,894)	(1,874,407)	(583,391)	(600,531)	(483,495)
Other items	(66,586)	308,721	(190,659)	(356,226)	(219,942)	28,466	(477,057)	1,573,567
Comprehensive profit/(loss)	(637,135)	(116,354)	(609,709)	(790,120)	(2,094,349)	(554,925)	(1,077,588)	1,090,072
Basic Profit/(loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	0.01
Diluted profit/(loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	0.01
<b>Financial Position</b>								
Working capital	2,124,643	1,365,657	1,686,095	2,396,484	3,236,870	2,350,166	2,803,903	3,935,156
Total assets	24,845,430	23,832,418	24,827,062	25,000,847	30,597,341	28,756,406	28,455,148	29,133,933
Total non-current liabilities	(5,556,603)	(5,292,618)	(6,159,922)	(6,045,964)	(10,812,012)	(9,946,686)	(9,054,376)	(8,620,700)

### Results of Operations

#### *Three Months Ended January 31, 2023, Compared to Three Months Ended October 31, 2022*

During the three months ended January 31, 2023 ("Q1 2023") the Company reported a net loss of \$637,135 compared to a reported net loss of \$116,354 for the three months ended October 31, 2022 ("Q4 2022"), a increase in loss by \$520,781, the increase in loss mainly due to Woxna exploration cost write-off \$81,117 (Q4 2022- \$Nil), stock based compensation \$97,029 (Q4 2022- \$Nil), foreign exchange loss \$24,612 (Q4 2022- gain \$236,983) and net mark to market adjustment loss of \$52,812 (Q4 2022- gain \$61,664).

#### *Three Months Ended January 31, 2023, Compared to Three Months Ended January 31, 2022*

During the three months ended January 31, 2023 ("2023 period"), the Company reported a net loss of \$637,135 compared to a net loss of \$2,094,349 for the three months ended January 31, 2022 ("2022 period"), a decrease in loss of \$1,457,214, the decrease in loss mainly due to share-based compensation related to granting of stock options under the Company's stock option plan of \$97,029 in Q1 2023 compared to share-based compensation of \$1,421,437 in Q4 2022.

Specific expenses of note during three months ended January 31, 2023 are as follows:

- (i) incurred \$44,546 (2022 - \$99,666) for directors and officer's compensation.
- (ii) incurred \$47,117 (2022 - \$56,679) 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 \$34,061 (2022 - \$28,040) for accounting and audit out of which the Company incurred \$14,506 (2022 - \$11,832) for accounting services of SKS Business Services along with \$5,859 (2022 - \$3,184) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred Research, development and general exploration expenses of \$32,797 (2022 - \$28,141);
- (v) incurred \$87,868 (2022 - \$57,755) in costs for operations;
- (vi) write-off of \$81,117 (2022 - \$Nil) for capitalized exploration cost at Woxna.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the three months ended January 31, 2023 the Company reported interest income of \$10,446 compared to \$3,726 during the three months ended January 31, 2022.

During the three months ended January 31, 2023, the Company recorded a foreign exchange loss of \$24,220 due to changes in exchange rates, compared to a loss of \$6,154 during the three months ended January 31, 2022.

#### *Financings*

During the three months ended January 31, 2023, 13,000,000 warrants were exercised for gross proceeds of \$1,300,000.

700,000 stock options were granted at an exercise price of \$0.20 during the three months ended January 31, 2023.

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

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 a fair value of \$9,083 as Finder's Fees, both relating to the signing of the exploration license for the project.

### **Financial Condition / Capital Resources**

During the three months ended January 31, 2023, the Company recorded a net loss of \$637,135 and, as of January 31, 2023, the Company had an accumulated deficit of \$45,351,937 and working capital of \$2,124,643. 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, 2022 audited annual consolidated financial statements.

## Changes in Accounting Policies

There is no change in accounting policy during the three months ended January 31,2023.

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, 2022 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 January 31,2023 and 2022 the following compensation was incurred:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Mr. Eric Krafft, Interim CEO and director <sup>(1)</sup>	7,500	7,500
Mr. Lars-Eric Johansson, Chairman and director <sup>(1)</sup>	7,500	7,500
Mr. Daniel Major, director <sup>(1)</sup>	7,500	7,500
Mr. Sanjay Swarup, CFO <sup>(3)</sup>	9,446	7,998
Ms. Manuela Balaj-Coroiu, Corporate Secretary <sup>(4)</sup>	12,600	-
Mr. Filip Kozlowski, Former CEO and former director <sup>(1)</sup>	-	69,168
	<u>44,546</u>	<u>99,666</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 three months ended January 31,2023, the Company incurred \$14,506 (2022 - \$11,832) for accounting services of SKS Business Services.

(c) In addition, during the three months ending January 31, 2023 and 2022 the company incurred share-based compensation for key management personnel as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Mr. Lars-Eric Johansson	-	222,100
Mr. Daniel Major	-	222,100
Mr. Eric Krafft	-	222,100
Mr. Filip Kozlowski	-	399,778
Ms. Manuela Balaj-Coroiu	27,723	-
	<u>27,723</u>	<u>1,066,078</u>

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As of March 22, 2023, there were 165,523,533 issued and outstanding common shares, 36,079,286 warrants outstanding with exercise prices ranging from \$0.10 to \$0.20 per share and 7,450,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.62 per share.