

# LEADING EDGE MATERIALS

## Company Description for Listing on Nasdaq First North

*Financial Adviser*



### **Important information about First North**

First North is an alternative marketplace run by the various stock exchanges in Nasdaq. Companies on First North are regulated by Nasdaq First North's rules and not by the legal requirements stipulated for trading on a regulated market. Instead, they are covered by a less extensive set of rules and regulations that are adapted to smaller growth companies. An investment in a company trading on First North involves more risk than an investment in a company trading on a regulated market. All companies whose shares are admitted to trading on First North have a certified advisor who monitors that the rules are complied with. Nasdaq Stockholm AB approves the applications for admission to trading on First North.

## IMPORTANT INFORMATION TO INVESTORS

### Information to investors

This company description (the “**Company Description**”) has been prepared in connection with the secondary listing of shares of Leading Edge Materials Corp. (“**Leading Edge Materials**” or the “**Company**”) on Nasdaq First North (“**First North**”). The Company Description does not constitute a prospectus and thus has not been established in accordance with the provisions of the Swedish Financial Instruments Trading Act (1991:980), Directive 2003/71/EC of the European Parliament and of the Council or Commission Regulation (EC) No 211/2007. The Company Description has neither been approved nor registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980).

An investment in securities of the Company is associated with certain risks (refer to the section *Risk factors*). When investors make an investment decision, they must rely on their own analysis of Leading Edge Materials, including applicable facts and risks. Prior to making an investment decision, potential investors should engage their own professional advisors and carefully evaluate and consider the risks associated with investment in the securities of the Company. Investors may only rely on the information in the Company Description and any supplements to the Company Description. No person is authorized to provide any information or make any statements other than those made in the Company Description. If this were to happen nonetheless, such information or such statements shall not be considered to have been approved by Leading Edge Materials and Leading Edge Materials is not responsible for such information or statements.

For definitions of certain terms used in this Company Description, please refer to the section “*Certain definitions and terms and Glossary*”.

### Distribution area

The shares of Leading Edge Materials have not been and will not be registered pursuant to the United States Securities Act of 1993 (the “**U.S. Securities Act**”) in force from time to time, or the securities legislation in any state or jurisdiction in the United States and they may not be offered, sold or otherwise transferred directly or indirectly, in or to the United States, except according to an applicable exemptions from, or through a transaction not covered by, the registration requirements in the U.S. Securities Act and in accordance with applicable securities legislation in the relevant state or other jurisdiction in the United States. Leading Edge Materials shares have neither been approved nor rejected by the United States Securities and Exchange Commission, any state securities or any other authority in the United States. Nor has any such authority assessed or commented on the correctness and reliability of the Company Description.

Distribution of this Company Description (and other material related to the Company Description) is subject to restrictions under law and other regulations in certain jurisdictions. The Company Description (and other material related to the Company Description) may not be distributed in or into the United States (including its territories and provinces, every state in Australia, Japan, Hong Kong, New Zealand, Switzerland, Singapore or South Africa or in any other jurisdiction where such distribution would require other measures than those required by Swedish law or violate applicable rules. People who receive copies of the Company Description must ensure that they comply with such restrictions. Actions in violation of these restrictions may constitute a violation of applicable securities legislation.

Neither the publication nor the distribution of the Company Description shall be deemed to imply that the information in the Company Description is accurate and applicable at any time other than on the date of publication, or that there has not been any change in Leading Edge Materials’ business after the aforementioned date. The Company neither undertakes to publicly update and/or revise information because of future events or other, except what is required by law, Nasdaq First North’s Rulebook or other regulatory commitments of the Company.

### Future-oriented information

The Company Description contains future-oriented statements and assumptions about future market conditions, operations and earnings. These statements can be found in several sections and include statements regarding the Company’s current intentions, assessments and expectations. The words “believe”, “intend”, “assess”, “expect”, “foresee”, “plan” or similar expressions are indicative of these future oriented statements. Other such statements are identified based on their context. Actual events and financial outcomes may differ materially from those implied in such statements due to risks and other factors that affect the Company’s operations. Such factors are compiled under the section “*Risk factors*”.

## Market information

The Business Description contains market information attributable to Leading Edge Materials' business and the markets in which Leading Edge Materials is active. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including segment publications or reports. Publications or reports usually state that the information in them has been obtained from sources deemed reliable but that the accuracy and completeness of the information cannot be guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of segment and market data contained in the Company Description that were obtained or derived from these segment publications or reports. Segment and market information are inherently predictive and speculative, subject to uncertainty, and are not necessarily reflective of actual market conditions. Such information are based on market research, which itself is based on sampling and subjective judgments, including judgments of what kind of services and transactions should be included in the relevant market, by both the researchers and the respondents. The Company neither assumes any responsibility for the accuracy of any segment or market data included in the Company Description. Such information coming from third parties has been accurately reproduced and, as far as the Company is aware and can ascertain through comparison with other information published by that third party, no information has been omitted which would render the reproduced information inaccurate or misleading.

## Presentation of financial information

Certain financial information in the Company Description has been rounded. Accordingly, certain tables do not match exactly with the total amount specified.

## Certain definitions and terms

**"Leading Edge Materials"**, the **"Company"** or the **"Group"** refers to Leading Edge Materials Corp., incorporation number BC0893900, a company registered under the laws of Province of British Columbia, Canada, the group in which Leading Edge Materials Corp. is the parent company or a subsidiary of the group, depending on the context. The **"Company Description"** refers to this company description. **"First North"** refers to the multilateral trading facility Nasdaq First North operated jointly with Nasdaq Stockholm AB, Nasdaq Copenhagen A/S, Nasdaq Helsinki Ltd and Nasdaq Iceland hf. The **"Listing"** refers to the planned listing of the Company's common shares on First North. **"Euroclear"** refers to Euroclear Sweden AB, corporate registration number 556112-8074. **"Remium"** refers to Remium Nordic AB. **"SEK"** refers to Swedish kronor. **"USD"** refers to US dollars. **"CAD"** refers to Canadian dollars. **"K"** refers to thousand and **"M"** refers to millions. **"Km"** refers to kilometers.

## Disputes

Disputes arising in connection with the content of the Company Description or any associated legal relations are to be settled exclusively by Swedish court. Swedish substantive law is exclusively applicable on the Company Description.

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### Information about the share

ISIN code: CA52171T1003

Short name (ticker): LEMSE

### Financial calendar

Annual report 2017	January 29, 2018
Q1 report 1 Nov – 31 Jan 2017	April 02, 2018
Q2 report 1 Feb – 30 Apr 2017	August 28, 2018
Q3 report 1 May – 31 Jul 2018	November 28, 2018
Annual General Meeting 2018	TBD



## GLOSSARY

<b>BCBCA</b>	British Columbia Business Corporations Act (Canada).
<b>CAD</b>	Canadian dollar.
<b>Company Description</b>	Refers to the company description.
<b>CSD</b>	Central Securities Depository.
<b>EEA</b>	European Economic Area.
<b>Euroclear</b>	Euroclear Sweden AB, corporate registration number 556112-8074.
<b>First North</b>	Refers to the multilateral trading facility Nasdaq First North operated jointly by Nasdaq Stockholm AB, Nasdaq Copenhagen A/S, Nasdaq Helsinki Ltd and Nasdaq Iceland hf.
<b>K</b>	Refers to thousand.
<b>Listing</b>	The planned listing of the Company's common shares on First North.
<b>M</b>	Refers to millions.
<b>MAR</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).
<b>MTF</b>	Multilateral trading facility.
<b>Remium</b>	Refers to Remium Nordic AB (company registration number 556101-9174)
<b>SEK</b>	Swedish kronor.

## RISK FACTORS

*An investment in securities is always associated with risk. A number of factors beyond the control of the Company may have a material adverse effect on the Company's results of operations, earnings and financial position, which could result in a decline in the value of the Company's securities and the loss, in whole or in part, of a shareholder's invested capital. Consequently, when evaluating the Company's future performance, it is important to factor in various risks associated with the Company's operations, alongside its potentially positive performance.*

*Naturally, not all of the risk factors can be described in this section, which is why a comprehensive evaluation must also include other information in the Company Description as well as a general evaluation of business-environment factors. The following is a description of the material risks and uncertainties pertaining to the Company's future performance. The risks are not listed in order of importance and no claim is made that they are exhaustive. Additional risks and uncertainties with which the Company is currently unfamiliar may also develop into material factors that affect the Company's operations and future performance.*

### Risks related to the company's operations and industry

#### *Nature of mining operations, exploration, development and production risks*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production businesses, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource and reserve estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The long-term success of the Company depends on its ability to find, acquire, develop and commercially produce raw materials in the low carbon energy sector. Without the continual addition of new reserves from exploration, development or acquisitions activities, the Company's existing reserves and production will decline over time. Production decline rates will vary depending on the type of engineering processes, age of the assets and other factors and are not necessary indicative of future performance.

Future increases in the Company's reserves will depend not only on the Company's ability to explore and develop any raw material it may have from time to time, but also on its ability to generate or raise sufficient capital to make the necessary investments to replace or expand its raw material. Moreover, there is a risk that expenditures made on future exploration development or acquisitions by the Company will not result in new discoveries of raw material in commercial quantities which may have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Estimation of raw material resources and raw material reserves*

Estimates of mineral resources and mineral reserves are mainly based on extensive test drills, statistical analyses and model studies. However, they remain preliminary to their character until they are verified by industrial production.

Methods are lacking to determine and categorize exact tonnage and levels in a mineral materialization with complete certainty. Information on mineral resources and mineral reserves presented in this Company Description is seen against this background. There is a risk that mineral resources and mineral reserves will not contain expected tonnage and

estimated levels or that the stated levels of mineral exchange will be realized. The mineral resources and mineral reserves that the Company ultimately prove to be disposed of may therefor deviate from the assessments presented in this Company Description, which, in the case of a lower level than expected, could adversely have a negative impact on the Company's operations, financial position and performance.

#### *Mineral commodity prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The commodity level of global economic activity, interest rates, expectations for and the rate of inflation, speculative activities, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, global and regional supply and demand and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Competition*

The Company is active in various markets and competes with many other mining companies. The Company's future competitiveness will depend on its qualification and responsiveness to new market needs. The Company competes with both smaller local actors and larger international companies. Some of the Company's current or future competitors may have greater resources than the Company and use them to gain market share to the detriment of the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other competitors for these resources could have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Dependence on qualified personnel*

The Company is dependent on qualified personnel in different positions. The ability to retain current personnel as well as the ability to attract and recruit new personnel is crucial to the Company's future development. Inability to retain, recruit and attract qualified persons who are or may be of significance to the Company could delay or significantly impact Company's future development and may have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Financing risk*

There is a risk that the Company does not have access to financing at a given point in time, or that the financing only can be obtained at unfavourable terms for Leading Edge Materials. The Company may need further financial resources, to enable strategic positioning of the operations or otherwise achieve strategic objectives. There is a risk that such financial resources cannot be obtained at terms favourable for Leading Edge Materials. Access to additional financing is affected by multiple factors, such as for example market conditions, the general supply of financing and Leading Edge Materials' financial situation and credit rating. Disruptions and uncertainty in the capital and credit market can limit access to the capital required to conduct operations. Difficulty or failure by the Company to obtain required financing on acceptable terms or on a timely basis could have a material adverse effect on the Company's result of operations, earnings and financial position.

#### *Liquidity risk*

The Company is exposed to liquidity risk. The Company continuously monitors its cash flow through forecasts that are based on certain assumptions and expectations that may prove to be incorrect. In addition, there is a risk that unforeseen circumstances, such as significant degradations of economic conditions or legal claims, negatively affect the Company's cash flow.

There is a risk that the Company, due to insufficient cash and cash equivalents, cannot meet its payment obligations as they become due, or that the Company can only meet its payment obligations on terms unfavourable to the Company. An inability to maintain adequate liquidity may force the Company to put the Company into debt, possibly at a higher interest rate, which may adversely impact the Company's operations and ability to obtain further capital and financing. Failure to maintain adequate cash flow and capital in the future may have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Foreign currency exchange rate risk*

The majority of the Company's revenues or equity raisings are in EUR or CAD and the Company incurs most of its operating and other costs in SEK and CAD. As a result, the Company is subject to foreign exchange risk relating to the relative value

of EUR to SEK to CAD and any strengthening of the SEK could have a material adverse effect on the Company's costs and its cash flow.

#### *Tax risks*

The Company conducts operations in multiple countries. The operations and any intra-group transactions are conducted and carried out in accordance with the Company's interpretation and understanding of applicable tax laws, tax treaties and other relevant regulations and requirements from concerned tax authorities. However, it may turn out that the Company's interpretation and understanding of these laws, agreements and other regulations are not correct in every respect. The tax authorities in the countries in which the Company conducts operations may make further assessments or make decisions that differ from the Company's understanding and interpretation of relevant laws and regulations. The Company's tax position, both for earlier, current and future years, may change as a result of decisions made by concerned tax authorities or as a result of changed laws, tax treaties and other regulations. Such decisions or changes, which may possibly apply retroactively, may have a material adverse effect on the Company's financial position.

#### *Uninsurable risks*

The Company maintains insurance to cover normal business risks. In the course of exploration of mines and deposits, certain risks, such as unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur and since the Company only has a limited number of assets, this risk is more significant than if it were spread over a large number of assets. It is not always possible to fully insure against such risks because of high premiums or other reasons. Should such liabilities arise, the payment for such uninsured liabilities could reduce or eliminate the funds available to the Company which can in turn result in reduced future profitability, increased costs and a decline in the value of the securities of the Company.

Although the Company intends to obtain insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. There can be no assurance that insurance will be available in the future. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, can thus adversely affect the Company's operations, earnings and financial position.

#### *Technical risks*

Mining and exploration of raw material deposits involves a variety of technical risks. Such risks constitute a natural part of the business and are in most cases beyond the control of the Company. These include technical production disruptions of for example, rock mechanics, geotechnical, mechanical, chemical or logistic nature, which can cause lower production, higher costs, poorer yields and reduced product quality, which may have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Law and government regulations*

The Company's operations are subject to extensive law and government regulation and other regulations that govern, among other things, exploration, development, production, conditions for personnel, work environment and safety, residual material handling and handling of toxic substances. Compliance with these laws and regulations increases the costs of operations of the Company. Changes to existing laws, regulations or regulations for mining companies' operations and activities or stricter interpretation of these, may have a material adverse effect on the Company's results of operations, earnings and financial position and result in increased costs, lower production than planned and delayed development of new operations.

#### *Regulatory permissions and other approvals*

The Company may need additional environmental, construction and mining permits, rights and approvals, each of which can be time-consuming and costly to obtain, maintain and renew. In connection with the Company's current and future operations, the Company must obtain and maintain a number of permits that impose strict conditions, requirements and obligations on the Company, including those relating to various environmental and health and safety matters.

Failure to obtain or withdrawn permits could inhibit the Company's development. The Company's cash flow also depends on the Company's ability to continue to obtain required permits for new areas and operations, as production might otherwise decrease over time when existing deposits are depleted. Failure to maintain or obtain required permits can thus have a material adverse effect on the results of operations, earnings and financial position.

Necessary permits are usually given only for a limited time period and they may be subject to certain terms and conditions and may be revoked if there is a misconduct by the Company. It is not certain that different permits and rights will always be obtained on a timely basis, that they will be retained on unchanged terms, or that they will be given at all.

If the Company does not comply with the terms and conditions of a permit or applicable regulations or if payments of royalties or other applicable fees are paid late, different forms of penalties may arise, which in extreme cases may lead to revocation of licenses of the Company. Loss of permits or additional restrictions on the Company's permits and processing concessions could have a material adverse effect on the Company's results of operations, earnings and financial position. It is not certain that filed or impending applications for new reservations, exploration permits, processing concessions or renewed applications will be granted or that existing licenses and concessions will be renewable or renewed. If the statutory conditions for granting applications are met, they will normally be granted. However, there is a certain margin of interpretation for the relevant authorities in determining whether the conditions for granting a permission are met.

The process of obtaining regulatory permissions and decisions required for mining and raw material operations are time consuming and may also include protest or complains from third parties such as locals, other companies or non-governmental organizations, which can thus adversely affect the Company's operations, financial positions and performance.

Accordingly, permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may be issued or renewed upon conditions that restrict the Company's ability to operate economically, or may be subsequently revoked. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions, including in connection with any environmental impact analyses, could have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Environmental liability*

The Company's activities are subject to extensive laws and regulations governing environmental protection. The Company's environmental responsibility includes, *inter alia*, the statutory environmental liability for any contamination or pollution as well as the obligation to reconstruct the landscape and the environment after the actual mining or other business activities have been completed. The environmental liability commitment can be updated at all stages of the Company's operations, for example, while the Company is in preliminary investigations and prospecting.

The Company's operations require environmental permits and other necessary permits, which normally contain certain terms and conditions that must be followed. The terms of the environmental permits and other permits may under certain circumstances be amended by the authorities in such a manner as to adversely affect the Company. The Company's operations can cause pollution of soil, surface and groundwater or air. Furthermore, the operation can cause damage to buildings or even create odour and noise emission.

Violations of environmental regulations and terms for the Company's permit(s) can lead to liability, including third party liability, as well as criminal liability, including in the form of fines. In addition, such violations may lead to a tightening of the terms of the current environmental permits or other necessary permits for the Company's operations. If areas where the Company carries out, will conduct or previously has carried out, activities would prove to be contaminated, the Company may have to implement rehabilitation measures which would be costly and may result in a reduction in the value of the contaminated area. Pollution of the environment, as well as any future requirements for remediation, tightening of the environmental regulations or a stricter interpretation of the prevailing regulation may have a material adverse effect on the Company's results of operations, earnings and financial position.

The Company's operations require necessary permits to be obtained. The Company will, if necessary, apply for new environmental permits or other permits, as the operation develops or the regulations change. The granting of licenses is dependent, *inter alia*, on the environmental authorities' review. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

#### *Increased risk for economic and technical decline for the Woxna Graphite Project*

In 2015 the Company filed a NI 43-101 Technical Report for the Woxna Graphite Project. The conclusions of the Technical Report do not take into account the economic and technical development of the Woxna Graphite Project since 2015. The NI 43-101 preliminary economic and technical assessments on the Woxna Graphite Project issued in 2013 is no longer current or valid. The Company has no plans on completing a new economic and technical assessment or to carry out pre-feasibility investigations regarding the Woxna Graphite Project. The absence of such new economic and technical assessment may have a material adverse effect on the Company's results of operations, earnings and financial position with respect to the Woxna Graphite Project.

#### *Availability of reasonably priced raw materials*

The Company will require a variety of raw materials in its business. The Company's potential future earnings would be directly related to current raw material prices at that time. The prices of raw material are determined on the international market and fluctuate over time due to changes in the factors affecting supply and demand. To the extent these raw materials are unavailable or available only at significantly increased prices, the Company's production and financial performance could be impacted.

#### *Dependence on third parties*

The Company has relied upon external consultants, engineers and others and intends to rely on these parties for, among other things, the development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore, to construct mines, and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company's results of operations, earnings and financial position.

#### *Conflicts of interest*

Certain of the Company's directors and officers may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

#### *Litigation, arbitration and disputes*

The Company is part of legally binding permits with various authorities under the Swedish Environmental Law (1998:808). The interpretation of the rights and obligations that arise from such agreements may be open to differing interpretations and the Company may disagree with the position taken by other parties to these agreements. This could result in a dispute which, if unresolved, might trigger a litigation or arbitration process, causing the Company to incur possible legal or similar costs in the future. Given the speculative and unpredictable nature of litigation or the arbitration process, the outcome of any such disputes might have a material adverse effect on the Company's results of operations, earnings and financial position.

## **Risks associated with the listing and shares**

#### *Shareholding is always associated with risk*

An investment in shares is always associated with risk. Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. The price trend of a listed share is dependent on company-specific factors and factors that concern the capital markets as a whole. Since it is not possible for an individual company to control all of the factors that could affect the share price, investment decisions should be preceded by careful analysis.

There is no guarantee that an active, solvent and orderly market for trading the Company's shares on First North will develop. The share price may be volatile and shareholders may lose some or all of their investments.

No shares of the Company have been traded on First North prior to Listing. Although applications were submitted to trade the Company's shares on First North, there is a risk that insufficient liquidity may be generated for the shares. The share price could also vary due to factors such as variations in the Company's earnings and financial position, changes in the expectations of the stock markets with regard to future profits, the supply and demand of shares, developments within the Company's market segment and general economic trends.

#### *Increased costs following the Listing*

In conjunction with the Listing, the Company will be subject to Swedish laws, regulations and requirements that are more extensive than the regulatory framework applicable to companies listed on multilateral trading facilities ("MTF"). Hence, the Company will be liable for costs not previously incurred by the Company while only listed on the TSX Venture Exchange (Canada) and OTCQB (US), such as legal advice on Swedish law, additional financial accounting and reporting. The Company may also be required to increase its personnel resources in order to manage the increased regulatory burden of being listed on First North.

Being listed on three different markets, the Company needs to comply with the regulatory framework of three markets. In some cases, the regulations may differ and a need for changes within the Company's corporate governance may arise and the Company will be liable for costs not previously incurred, such as legal advice and financial reporting, in purpose of

finding a way complying with the regulatory frameworks. The Company follows the Canadian, *Business Corporations Act* (British Columbia) ("**BCBCA**"), legislation as well as the Applicable Canadian Requirements.

*Future cash dividends are dependent on several factors*

Future cash dividends will be determined by the Company's directors if and when dividends should be declared and paid in the future. The Company has not paid any dividends since incorporation and it has no plans to pay dividends in the foreseeable future. Future dividends should be declared and paid in the future based on the Company's financial position at the relevant time. If it is determined on cash dividends the common shares of the Company entitle the holder to receive a dividend on the first record date for a dividend declared closest after the shareholding have been entered into the Company's securities register.

*Existing shareholders selling their shares*

An extensive sale of the shares of the Company, especially sales made by the Company's Board of Directors, senior management or major shareholders, or the perception that such sales could occur, could lead to a reduced share price.

*Dilution of shareholdings in the event of future share issues*

The Company may sell and issue additional equity securities (or securities convertible to equity securities) to finance operations, exploration, development, acquisitions or other projects. The Company cannot predict the size of future issuances of securities or the effect, if any, that such future sale and issuances will have on the market price of the shares. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, would result in dilution, possibly substantial, to shareholders. Exercises of presently outstanding stock options may also result in dilution to shareholders. Therefore, the Company's shareholders bear the risk for any future new share issuance that may reduce the price of the Company shares and/or dilute their holdings in the Company.

*Exercise of outstanding stock options will result in dilution*

The exercise of outstanding stock options will result in dilution to the holders of shares. The issuance of shares upon the exercise of the Company's outstanding stock options will result in dilution to the interests of shareholders and may reduce the trading price of the shares. Additional stock options to purchase shares may be issued in the future. Exercises of these securities, or even the potential of their exercise, may have an adverse effect on the trading price of the shares. The holders of stock options are likely to exercise them at times when the market price of the shares exceeds the exercise price of the securities. Accordingly, the issuance of shares upon exercise of the stock options will likely result in dilution of the equity represented by the then outstanding shares held by other shareholders. The holders of stock options can be expected to exercise or convert them at a time when the Company would, in all likelihood, be able to obtain any needed capital on terms which are more favourable to the Company than the exercise terms provided by these stock options.



## BACKGROUND AND RATIONALE FOR THE LISTING

### Background

*Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company's common shares began trading on the TSX Venture Exchange as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the indirect acquisition of the Woxna Project through the acquisition of Woxna Graphite AB and changed its name to Flinders Resources Limited. On August 25, 2016 the Company completed the acquisition of Tasman Metals Ltd. (see section "Acquisition of Tasman" below on page 62) and changed its name to Leading Edge Materials Corp. The Company's common shares trade on the TSXV Venture Exchange as a Tier 1 mining issuer under the symbol "LEM" and, on September 2, 2016, commenced trading on the OTCQB under the symbol "LEMIF".

Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company is now considered to be in the production stage. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until the specialty graphite products markets are developed in Europe. The Company is currently targeting the production of specialty products such as high purity graphite for battery and other specialty end uses. The Company is also the owner of the Bergby lithium project, Norra Kärr rare earth element deposit and the Kontio cobalt project.

### Rationale for Listing

A wide shareholder base is valued by the Board of Directors as it will be of great advantage to Leading Edge Materials in growing the specialty materials business.

At the date of this Company Description the Company's shares have traded on the TSX Venture Exchange and the OTCQB in the United States. However, a number of Leading Edge Material's shares are held by Swedish-originated investors and the interest in the Company from the Swedish investor community is growing. The Board of Directors feel that an European listing and the ability to trade the shares on Nasdaq First North will be beneficial to the liquidity of the Company's shares and will strengthen the Company's shareholder base. In light of this and the promising potential in growing the Company's Scandinavian assets, the Board of Directors will seek to improve the availability of the shares to both current and prospective shareholders by providing the possibility to trade Leading Edge Material's shares on the First North market of Nasdaq QMX Stockholm.

The rationale for cross-listing Leading Edge Materials' shares on First North is primarily to provide Leading Edge Materials' shareholders with liquidity in the shares and to have access to capital and finance the Company's future growth. Additional benefits are increased media exposure and marketing towards potential customers and partners.

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

Leading Edge Materials

*Board of Directors*

Vancouver, British Columbia, Canada,

December 2017



## LETTER FROM THE CEO

Leading Edge Materials is focused on the “once in a generation” transition to a low-carbon economy as we witness a shift in the material requirements of energy generation. Through expanding renewable energy generation linked with efficient energy storage, plus the demand for higher energy efficiency, the light-weighting and electrification of transport, the demand for new materials is accelerating.

Not only is Leading Edge Materials very well placed to sustainably supply the new materials required for a new age of power generation, but we are also part of a number of important projects partnered with parties such as Northvolt and the Ångström Advanced Battery Centre at Uppsala University.



Leading Edge Materials is a Canadian public company with principal assets in Scandinavia, a region well recognised for its promotion, investment in innovation and environmental consciousness. Leading Edge Materials' flagship asset is the Woxna Graphite Project located in central Sweden targeting the supply of specialty materials for lithium ion battery production. The Woxna facility remains in an operation ready status, running periodically as required to produce concentrate for various battery material test programs. The Woxna facility is fully operational, permitted and ready for production of a graphite flotation concentrate. The flotation concentrate is purified at lab scale using the latest purification processes to demonstrate suitability of Woxna graphite as lithium ion battery cell anode materials. This high purity process design is being developed with the intent to commercialise the process for installation at the Woxna project. The Company has been focused on developing a commercially viable high purity process to upgrade the Woxna graphite concentrate to meet the product and environmental specifications of new lithium ion battery manufacturers.

Our assets and research are focused on the raw materials for lithium ion batteries (graphite, lithium, cobalt); materials for high thermal efficiency building products (graphite, silica, nepheline); and materials that improve the efficiency of energy generation (dysprosium, neodymium, hafnium). Leading Edge Material's core investments are matched to high growth markets, linked to the global shift to low-carbon energy generation and energy storage. The Company has a strong foothold within essential materials required to take the leap into the next generation of energy, including graphite and lithium.

Awareness of the global transition to a low-carbon economy, as well as the materials required to make it possible, is gaining accelerated exposure in the media and markets. With all major European auto manufacturers now committed to eliminate or greatly reduce production of internal combustion engine vehicles in preference for lower carbon technologies, it is an exciting time to be in the energy storage market. The demand for other battery powered vehicles, such as electric bikes, mopeds and heavy commercial vehicles is also seeing significant growth. The Company is very well placed to sustainably supply the new materials required for this new age of power generation and storage, through investments in primary material supply and processing technology.

The Company has significantly progressed marketing of our specialty materials to the emerging lithium ion battery market. We are working closely with a number of potential future cell manufacturers. Progress on qualification of Woxna graphite for high end automotive grade battery cells, has gone well. Noteworthy is the announcement of Leading Edge Material's and Northvolt working to define the supply chain for their battery cell manufacturing plant in Sweden. The Company also completed a maiden drill program on the Bergby lithium project with excellent results which are being followed up by a second drill program. The company continues to seek out European based cobalt projects to add to our portfolio of battery materials. From our interactions with partners and future clients it has been made clear to us that there is a strong demand for a European supplier of raw materials in order to promote transparency and sustainability through the whole supply chain.

We have progressed a number of technical fronts on our battery materials resulting in a number of research and development projects on the supply stream of lithium ion battery manufacturing. The Company recently announced the Vinnova funded research project entitled “Natural Swedish Graphite for Future Lithium Ion Batteries”. The Company is a founding participant in the project, along with the Ångström Advanced Battery Centre, part of Uppsala University, Sweden.

I am very optimistic of the future of our business and our ability to become a key participant in the emerging energy storage markets in Europe.

*Blair Way*

President and CEO

Vancouver, British Columbia, Canada, December 2017

## MARKET OVERVIEW

*The following industry overview describes the Company's target market in terms of size, development and prospects for future growth. The information contained in the Section below originates from Leading Edge Materials, unless expressly stated otherwise. The Company's principal assets are directed towards the future production of graphite, lithium and rare earth elements for high growth markets, and it is anticipated that any future economic benefit to the Company would be driven by its participation in these markets. Accordingly, this section focuses on the current and future markets for graphite, lithium and rare earth elements and the end uses of these commodities.*

*As per its investment strategy, the Company's long-term view of these markets is positive, with the expectation that over time tightening supply and growing demand will contribute to stronger commodity prices and will require development of new projects.*

### Market Introduction

The Company's current portfolio of mineral exploration and mining assets is directed towards the future production of critical commodities including graphite, lithium, cobalt and rare earth elements (REE). These commodities, apart from lithium, were named "Critical Raw Materials" by the European Commission in a list published September 13<sup>th</sup> 2017, due to the importance to European industry, lack of substitution opportunities, and the high dependence on imports often from politically unstable regions.

Through its assets and future investments, Leading Edge Materials seeks to capitalize on the opportunities that arise from a growing demand for these critical raw materials. The most significant demand driver is presently believed to be the accelerating shift to low carbon power generation, and the parallel growth in electrification of transport. These shifts in energy production and storage is dramatically altering the demand for critical commodities that until recent years have only been required in small volumes. Of particular note, the demand for high purity materials required for lithium ion batteries is creating new business opportunities where Leading Edge Materials, as an early mover, can play a pivotal role.

Europe's long-term leadership in the automotive industry provides an exceptional opportunity for Leading Edge Materials. As the progressive rollout of electric vehicles gains pace, Leading Edge Materials aims to be "the supplier of choice", offering a secure and transparent critical raw material supply chain from EU domestic sources, so reducing the environmental and social burden of lithium ion battery production.

### Lithium Ion Batteries

Global energy storage markets have entered a period of high growth, driven in particular by the widespread acceptance of lithium ion batteries. Lithium ion batteries have demonstrated to be a safe and stable choice for mobile energy storage, while providing adequate energy density for most domestic and commercial applications.<sup>1</sup>

Lithium ion batteries were first invented in 1980 by German-American physicist John Goodenough of The University of Texas at Austin. Lithium ion batteries make use of the temporary cycling of lithium ions between positive and negative electrodes to store and release energy. During the early 1990s lithium ion batteries were limited to use in relatively expensive electronics, while today they are ubiquitous in personal devices and portable electronics with a growing automotive and grid storage applications.<sup>2</sup>

Lithium ion batteries consist of a cathode (positive electrode), an anode (negative electrode), a liquid or solid electrolyte that connects them and through which ions can pass, and a separator. The cathode commonly consists of a lithium-bearing metal oxide (lithium cobalt oxide, lithium manganese oxide are common examples) while the anode most often consists of porous carbon, typically natural or synthetic graphite. The battery discharges electricity by synchronous reduction and oxidation reactions during which lithium ions move from the anode to the cathode (negative to positive). When the battery is charging, the ion flow is in the opposite direction, such that the reversible lithiation of the graphite anode occurs.<sup>3,4</sup>

The lithium ion battery industry has made extraordinary advances, driven by demands of the information technology and consumer electronics sectors. Energy density (energy per volume) has tripled while costs have dropped to below 5% over the past two decades. For example, since 1992 energy density of a typical 18650 cell has improved from 200 watt-hour per

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<sup>1</sup> New energy technologies and their status, Yoshino, 2015.

<sup>2</sup> New energy technologies and their status, Yoshino, 2015.

<sup>3</sup> Berenberg Thematics, Berenberg 2016.

<sup>4</sup> New energy technologies and their status, Yoshino, 2015.

litre ("Wh/L") to more than 600 Wh/L (Yoshino, 2015). Despite these improvements, lithium ion battery energy density remains less than 10% that of gasoline, leaving further room for dramatic improvement.<sup>5</sup>

Since 1992, the cost of lithium ion battery production has decreased from over US\$5,000/kWh to below US\$200/kWh, with US\$100/kWh targeted for automotive batteries the end of the current decade.<sup>6</sup>

## The Lithium Ion Battery Market

Until early in the current decade, the market for lithium ion batteries was driven by their use in portable electronics, where relatively small batteries could comfortably support the required short product lifetimes. A shift in demand to include larger format batteries, primarily for electric vehicles and domestic or grid-supporting stationary storage, has catalyzed a new industry of global scale.

The demand for long life, high energy density, fast charging batteries and the materials to produce them has grown at annual double-digit rates. Providing an electric vehicle with sufficient range presents challenges, due to the constant tradeoff between battery size, weight and energy density while improving cost competitiveness so that electric vehicle adoption is possible within a mainstream, not just luxury market.

In 2006, the lithium ion battery market was modest with less than 6 gigawatt hours ("GWh") produced, and less than 10 % directed to electric vehicle applications. By 2016, this market was estimated to have surpassed 70 GWh, and is forecast to grow to more than 250 GWh by 2025 with annualized growth exceeding 10%. Applications for batteries, the average size of individual batteries and the market share of lithium ion batteries are all rising rapidly.<sup>7</sup>

According to Berenberg (2016), the recent rapid rise in lithium ion battery use is partially due to the constant invention of improved cell chemistry and structures that have allowed for niche and new applications. Berenberg (2016) forecast that lithium ion will be the most widely adopted technology in the foreseeable uptake of rechargeable batteries. The high number of potential combinations of metals a cathode can employ, and the progressive improvement of anodes, is delivering more specialised and powerful batteries, constantly unlocking opportunities for new application.

Berenberg (2016) estimates that the lead times for new technology development from discovery to mass adoption could stretch up to 15 years. Alternative technologies such as lithium sulphur and lithium air show promise, however they are yet to be commercialized.<sup>8</sup>

In line with the past decade of trend, the adoption of lithium ion batteries within the automotive and power sector is forecast to grow strongly over the next five years due to the following government and industry drivers:

- ▶ Legislated tightening of emission and fuel consumption requirements for the automotive sector
- ▶ Rising renewable power generation and the forecast mismatch between power generation and demand cycles
- ▶ A likelihood that electric vehicle (lithium ion battery) adoption will follow a similar path to electronics and solar photovoltaics, where adoption became extremely rapid once technology is embedded and a price point is achieved
- ▶ The forecast decline in the cost per kWh for lithium ion batteries<sup>9</sup>.

### *Electrification of the automotive industry*

Recognition of the adverse impacts of climate change and the importance of mitigating carbon dioxide (CO<sub>2</sub>) emissions has led to a growing interest in vehicle electrification. The potential for air pollution caused by internal combustion engine vehicles ("ICEVs") was starkly highlighted from 2015 due to the "diesel-gate" scandal and has greatly accelerated this interest.<sup>10</sup>

As a result of diesel-gate and progressive efforts to decarbonize, several cities affected by high levels of air pollution have called for a ban on diesel cars, while countries such as Norway, the Netherlands, Austria, France and the UK aim to prohibit ICEVs entirely within the next two decades. Electrification of transport is a key platform in the response to this challenge.<sup>11</sup>

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<sup>5</sup> New energy technologies and their status, Yoshino, 2015.

<sup>6</sup> New energy technologies and their status, Yoshino, 2015.

<sup>7</sup> Office of the Chief Economist, 2017.

<sup>8</sup> Berenberg Thematics, Berenberg 2016.

<sup>9</sup> Berenberg Thematics, Berenberg 2016.

<sup>10</sup> Dieselgate: Who? What? How?, Transport & Environment, 2016.

<sup>11</sup> How to electrify half of new car sales by 2030, Speeding up European Electro-Mobility, 2017.

The European Union aims to have the majority of the cars fossil-free by year 2050, hence making at least 80 % of the European cars sold partially or fully electrified. In order to achieve this and reduce carbon oxide emissions significantly, electric vehicles will be approximately 50 % of new car sales by year 2030. As recently as 8th November 2017, the European Commission proposed the target of a 30 % reduction in 2030 compared to 2021 for the EU fleet wide average CO2 emissions of new passenger cars and vans to help accelerate the transition to low- and zero emission vehicles.

In announcing this policy, the Vice-President responsible for the Energy Union Maroš Šefčovič said: “We have entered an era of climate-friendly economic transformation. Today's set of proposals is setting the conditions for European manufacturers to lead the global energy transition rather than follow others. It will entice them to manufacture the best, cleanest and most competitive cars, hence regaining consumers' trust. This is a major leap in the right direction: a modern sustainable European economy with cleaner air in our cities and better integration of renewables into present and future energy systems.”

Furthermore, Internal Market, Industry, Entrepreneurship and SME Commissioner Elżbieta Bieńkowska commented: “Our car industry is at a turning point. To maintain its global leadership, and for the sake of our environment and public health, the car industry needs to invest in new and clean technologies. We will foster market uptake of zero emission cars with seamless charging infrastructure and high-quality batteries produced in Europe.”<sup>12</sup>

Today, ICEVs dominate car fleets and sales. In 2016 fully electric and hybrid cars made up 1.3 % of new car sales in EU28. Trends that are likely to drive expanded sales include rapidly declining costs for batteries bringing electric vehicle pricing in line with ICE pricing; tax benefits, road access benefits, parking benefits; and an increase of driving range for electric vehicles.<sup>13</sup>

All major automotive companies are now pursuing the development of electric vehicles, most using lithium ion battery technology. Compared to nickel metal hydride batteries which power most hybrid electric vehicles (“HEVs”), lithium ion batteries are lighter, less bulky, and more energy efficient. In addition, for production volumes greater than 300,000 units per year, Li-ion batteries are projected to be less expensive.<sup>14</sup>

#### *Critical battery commodities*

The shift from transport networks dominated by the internal combustion engine to ones dominated by battery driven transport is forecast to have far reaching effect on raw material supply. The material demand for lithium ion batteries lies upon a different path to that historically followed in metals and mining with a much higher requirement for material purity and performance. Already, demand for batteries has changed the playing field for producers of lithium, cobalt and graphite, with current and potential future industrial customers actively seeking to secure future raw material supply.

Lithium ion batteries, similar to other new or emerging advanced technologies, are highly materials dependent, owing their advanced function to the properties that are imparted by their component materials. Such enabling materials are therefore very hard to substitute without that a loss of performance or other negative consequence, such that adoption of the technology requires a long-term commitment to the accompanying material supply chain.

There has been a great deal of recent focus on raw material supply and supply chain risk. In 2016, The Economist dubbed lithium “the world's hottest” commodity because of perceived scarcity issues surrounding this material. The Washington Post has traced the supply chains of both lithium and cobalt in recent expositions that outline their impact on the local populations of South America and Africa, respectively.

The pace of electric vehicle roll out and the ability of the automotive industry to keep pace with demand, shall in part be determined by the robustness of the supply chains of lithium, cobalt, graphite and other key materials. Constraints that are already emerging include the availability of resources in desirable geographies, production capacity, cost and timing of expanding capacity, challenges to permitting for production, logistics infrastructure, and the ability to expand such infrastructure.

Given the demand growth forecasts for lithium ion batteries, continued attention should be given to understanding potential risks surrounding the resource availability associated with these products. UBS (2017) highlighted the expanded demand for certain materials based on full adoption of electric vehicles, aligning with the internal Leading Edge Materials view and the strategy to be a European supplier of graphite, rare earth elements, lithium and cobalt to the automotive industry.

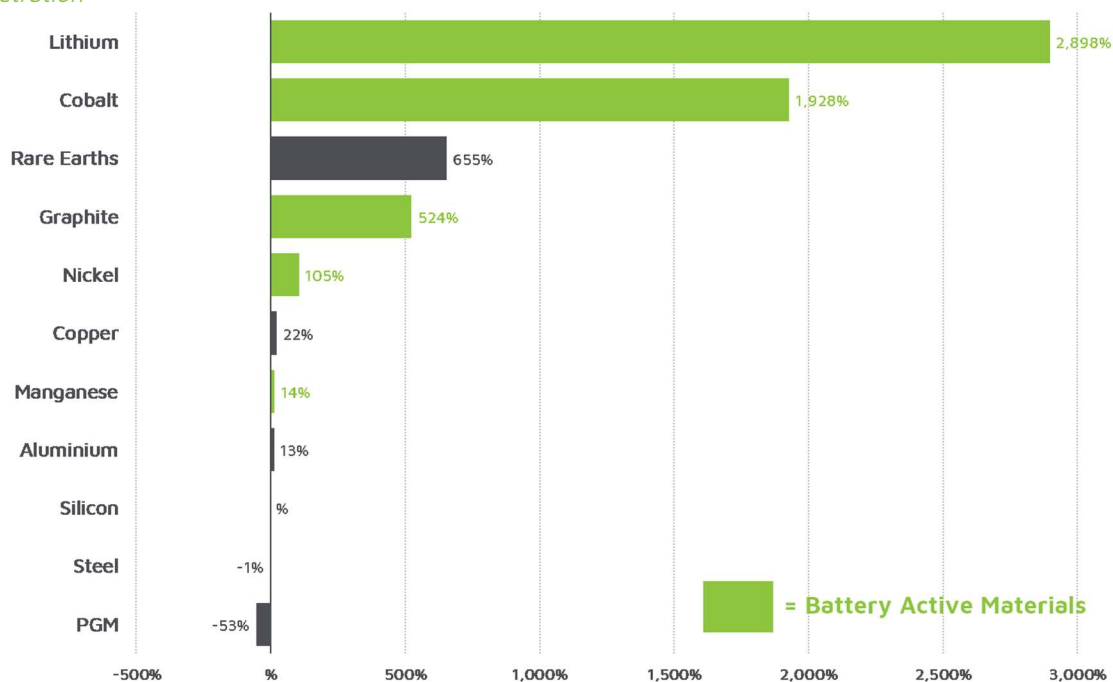
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<sup>12</sup> Energy Union: Commission takes action to reinforce EU's global leadership in clean vehicles, European Commission, 2017.

<sup>13</sup> How to electrify half of new car sales by 2030, Speeding up European Electro-Mobility 2017.

<sup>14</sup> Snyder et al., 2009.

*Percentage lift in commodity demand relative to today's global production assuming 100% Electrical Vehicle penetration*



Source: UBS 2017.

## Graphite

Graphite is a crystalline form of carbon that occurs in natural or synthetic form. The atoms of carbon can be bonded in numerous ways which are called allotropes, of which graphite is one. To make covalent bonds with other atoms, carbon atoms have four electrons available. In graphite, three of these electrons make strong covalent bonds in a layered, planar structure in graphite and this layer is known as graphene. The bonding between the atom layers is of the much weaker Van der Waals force, allowing graphite layers to slide past each other and be easily deposited on a surface. This is how graphite pencils work and this property also makes graphite a good natural lubricant.<sup>15</sup>

A relatively unique property for a non-metal material and useful in battery technology in the anode is that the fourth electron of each carbon atom in graphite is free to migrate, which allows graphite to be electrically conductive. Carbon and graphite also have an extremely high melting point, remaining stable at temperatures in excess of 3600°C. It has the highest natural strength and stiffness of any material, further, it is chemically inert and conducts electricity.<sup>16</sup>

The global graphite trade is dominated by China, commanding up to 70 % of global flake output.

### Mining

Conventional mining methods are applied when extracting natural flake graphite. In-situ ore grades between 2 to 30 % carbon are typical. The upgrading process of graphite ore is achieved via crushing, screening, grinding, flotation, dewatering and drying at the mine site to upgrade the carbon content and remove impurities. Recovery is generally in the order of 90 to 98 %, and the ore is upgraded to a concentrate which grades 90 to 97 % carbon.<sup>17</sup>

By passing through different size mesh screens, natural flake graphite concentrate is sorted into different sizes. The shorthand convention is to characterize particle size by the mesh designation. A "+" before indicates that the particle was retained by the sieve, while a "-" means the particles pass through it. Jumbo flakes typically describe those in the +50 range, while Large flakes are +80/-50, meaning the large flakes have passed through the 50 screen but been retained by the 80 screen. For industrial uses, jumbo and large flake sizes are preferred including blast furnace steel making, castings,

<sup>15</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>16</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>17</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

lubricants etc. In nuclear applications, super-jumbo size flakes are used. However, flake size is less relevant for high purity battery grade applications as the graphite is micronized to less than 30 micron prior to shaping and purification.<sup>18</sup>

### *End uses*

There are many uses for graphite due to the various properties and product qualities. The main applications of graphite are for electrodes, refractory materials, anode materials for lithium ion cells and primary batteries, friction materials and lubricants.<sup>19</sup> At present, steel making and metal transformation is the dominant area of use. Batteries are currently only a small part of the graphite market, approximately 10 %, but one which is forecast to grow the fastest.<sup>20</sup> The traditional markets for both natural graphite and synthetic graphite are detailed below. The graphite market for batteries are addressed later in the document.

#### *Traditional use of natural graphite*

Refractories – 18 %: Natural graphite is used due to its stability and ability to withstand temperatures above 538°C, as lining of furnaces, kilns, incinerators and reactors. Natural graphite is preferred over synthetic graphite due to cost and lower porosity, which reduces oxidation and other reactions. The iron and steel industry, which uses blast furnaces, account for around 70 % of the production of all refractory products.

Foundries – 7 %: Foundries are used to cast molten metal into a mold and the major market for castings is the auto-industry.

Lubricants – 7 %: The weak bonding between graphite layers allows them to slide past each other with very low levels of friction. Graphite is used as a lubricant in the form of solid powder, or as a film or within a fluid dispersion. Both synthetic and natural graphite compete in this space and cost vs purity define which is used.<sup>21</sup>

#### *Traditional use of synthetic graphite*

Electrodes – 31 %: In steel production or production of ferro-alloys, aluminum and chlorine, graphite is used as an anode in the electric arc furnace (“EAF”) method. The largest use is in steel making, EAF processes account for around 26 % of global steel making, centered more in developed markets with large scrap pools such as North America (where 62 % of steel production is EAF). High purity graphite electrodes are used to conduct electrical current to melt scrap steel. They are replaced every 8 to 10 hours and are a very minor (approximately 2 %) of the cost of EAF steel. Synthetic graphite is preferred to natural graphite as they can handle very high electric currents due to their high purity and conductivity.

Re-carburising – 13 %: Re-carburising (or carburising) is used to increase the carbon content of steel in liquid form and involves heating steel in the presence of a carbon bearing material. Graphite faces competition from other carbon materials, but is suitable as it is pure carbon and is soluble in molten metal. The carburising market is approximately 3 million tonnes per annum (“Mtpa”) with natural graphite representing around 10 % of this. Most of graphite used is synthetic.

Graphite shapes 5 %: Graphite can be easily molded into shapes which are used in high temperature applications. Graphite shapes are used in the aerospace, auto, industrial machinery and electronics industries. Around 90 % of graphite used in shapes is from synthetic graphite.<sup>22</sup>

### *Batteries*

In 2015, around 80 % of graphite consumed in the battery sector was directed towards lithium ion batteries. Batteries are currently a small portion (approximately 10 %) of natural graphite demand, but it is the fastest component of demand growth and offers the largest opportunity for expanded natural flake graphite production.<sup>23</sup>

Graphite is a key anode material for batteries because its high electrical conductance allows for higher energy storage and dispersion. Both natural and synthetic graphite can be used in batteries - despite the higher cost synthetic graphite is currently preferred due to superior technical performance. Synthetic graphite is higher in cost due to the high energy requirement for purification and graphitization. The high cost of synthetic graphite may provide economic motivation to switch to high-purity natural graphite, while natural graphite may also provide environmental motivation due to the lower intensity manufacturing process.

Most battery producers use a blend of both natural and synthetic graphite in anodes to optimize performance.<sup>24</sup> Typically, consumer electronic batteries have a higher ratio of natural graphite to synthetic to lower cost (up to 75% natural graphite),

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<sup>18</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>19</sup> Study on Data for a Raw Material System Analysis: Roadmap and Test of the Fully Operational MSA for Raw Materials, Deloitte., 2015.

<sup>20</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>21</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>22</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>23</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>24</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.



however in automotive batteries the ratio of natural graphite to synthetic is 10 % natural and 90 % synthetic due to the insufficient purity of natural graphite products.<sup>25</sup>

#### *Production of High Purity Spherical Graphite*

After the first processing steps, natural graphite is of relatively low purity, suitable as a bulk commodity for use within the steel industry.<sup>26</sup> To meet battery cell manufacturers specifications for use as the anode in lithium ion batteries, the natural flake graphite must be purified and shaped into small spheres<sup>27</sup>, at which point the material is referred to a High Purity Spherical Graphite ("HPSG").

Shaping and spheronising involves rounding the graphite flakes by mechanically grinding and rolling them into small spheres, a process which can result in up to a 50 % loss. After shaping, the natural flake graphite is purified by chemical leaching using acids such as hydrofluoric acid, sulfuric acid and hydrochloric acid to remove impurities and raise the carbon content to above 99.95 % C. An alternative to acid treatment is thermal purification by heating the graphite above 2,000°C. All HPSG is currently produced in China due to domestic access to raw materials, lower production costs and lower environmental standards. However, China's environmental standards are improving for most processing industries and there are now stricter controls on the use and disposal of reagents.<sup>28</sup>

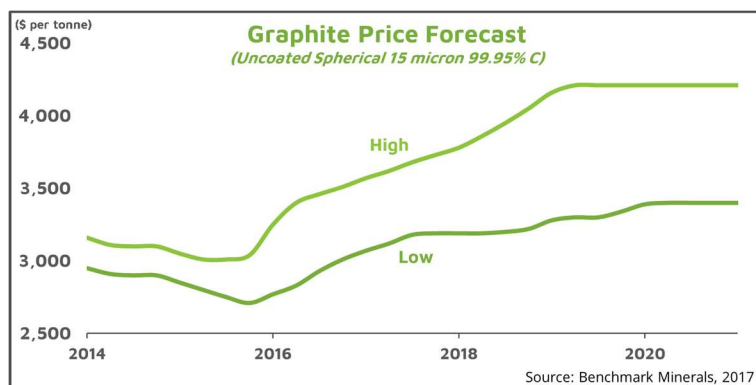
HPSG is further processed by coating a single layer of carbon onto the spheres to produce spherical coated graphite. The coating process occurs mainly in China, Japan, Korea and Taiwan.<sup>29</sup>

The forecast increase in demand for electric vehicles may not significantly influence the global flake graphite supply/demand balance, but will likely provide favorable conditions for producers HPSG.

#### *Natural graphite vs. synthetic graphite*

In most applications of graphite, either natural or synthetic material is typically strongly preferred. For instance, in anodes for EAF steel production synthetic graphite is dominant while in refractories, natural graphite has the greatest market share. In battery applications, competition exists between HPSG and synthetic graphite due to differentiation in cost and performance. Natural graphite tends to have a higher capacity to store a charge (approximately 6 % on average), but loses capacity more quickly and has a lower life cycle than synthetic graphite. In both high and low temperatures, synthetic graphite has greater stability and holds its charge better than natural graphite. Synthetic graphite also operates more reliably and predictably so is favored for high quality batteries favored by the automotive industry.<sup>30</sup>

Synthetic graphite is more expensive than HPSG due to the energy requirement during manufacturing, therefore the increased use of natural graphite can lower the cost of battery anode materials. Cost reduction is a high priority in electric vehicle manufacture, to improve cost competitiveness with internal combustion engines as rapidly as possible. Although a high proportion of synthetic graphite will always be required for electric vehicles batteries to maintain appropriate energy to power ratios, it is forecast that automotive lithium ion battery anodes may use increased HPSG to lower cost. HPSG price upside exists, but ultimately synthetic prices will impact prices.<sup>31</sup>



In addition to dominating graphite flake production, China presently commands up to 95 % of the world's purification and spheronisation capacity.<sup>32</sup> China's command over the trade presents both a challenge and opportunity for other graphite producers across the world. Overcapacity is difficult to assess in an opaque market, and can negatively impact prices for both flake and spherical graphite, however a growing market with a deep European manufacturing network, will progressively diversify away from a Chinese dominated supply chain.

<sup>25</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>26</sup> Möjligheter för nya metallvärdekedjor i Sverige, Tillväxtanalys, Copenhagen Economics 2017.

<sup>27</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>28</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>29</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>30</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>31</sup> Global Commodities, Lithium and Graphite: Driving Disruption, UBS, 2017.

<sup>32</sup> Flake's eventual form that goes into battery anode after coating.

Regardless, it is highly likely that both natural and synthetic graphite prices will be driven by Chinese prices in the near term, given its dominance in the trade.<sup>33</sup>

## Lithium

Lithium is a soft, silver-white and highly reactive metal used primarily in the aluminium industry, lithium ion batteries, glass and ceramics. Lithium is the lightest metal. The supply of lithium is highly concentrated amongst four major producers operating in only a small number of jurisdictions. Lithium demand in electric vehicles will play a pivotal role in the progress of the lithium market.<sup>34</sup>

The most common lithium-bearing minerals found in economic deposits are; spodumene, lepidolite, petalite, eucryptite, amblygonite, hectorite and jadarite.<sup>35</sup> Spodumene the most important ore mineral for hard rock sources of lithium.<sup>36</sup>

### Mining

Lithium is primarily recovered from lithium-rich “brines”<sup>37</sup>, or granitic pegmatites. The Andes Mountains of Argentina, Chile and Bolivia is host to the “lithium triangle” where naturally occurring lithium-rich brines are regularly present in high altitude settings, and the three largest producers of lithium, SQM, Albemarle and FMC Lithium operate. The area is the most significant and lowest cost source for lithium.<sup>38</sup>

According to UBS, Australia is a significant player in lithium production, hosting some of the world’s largest and highest-grade lithium hard rock spodumene deposits. The mineralised rock typically contains 12-20% spodumene, approximately 1.0% to 1.5% lithium oxide (“Li<sub>2</sub>O”).<sup>39</sup>

Conventional mining methods are applied when extracting lithium minerals from hard rock sources. Waste materials are removed by crushing and beneficiation. Depending on the end use for the ore whether for technical or chemical application, it goes through further processing.<sup>40</sup>

Lithium-rich brines are pumped from depths of 1.5 - 60 meters below the surface into a series of large ponds for solar evaporation. This process results in crystallization of other salts and lithium-rich liquor. The lithium liquor is then transferred to other production plants for further processing.<sup>41</sup>

### End uses

Most lithium is currently used in the production of lithium ion batteries<sup>42</sup>. This is due to lithium being the most electronegative metal with excellent electrical conductivity.<sup>43</sup> Lithium is also utilised in applications involving heat transfer, such as ceramic glass, as lithium has the greatest heat capacity.<sup>44</sup>

Lithium containing glass and ceramic coatings (glazes) are more resistant to thermal shock as they have a low coefficient of thermal expansion. Furthermore, adding lithium to glass adds mechanical and physical properties such as lustre, hardness and resistance to chemical agents.<sup>45;46</sup>



<sup>33</sup> Morgan Stanley, 2017.

<sup>34</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>35</sup> Lithium: British Geological Survey, 2016.

<sup>36</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>37</sup> Any fluid containing a high level of dissolved solids.

<sup>38</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>39</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>40</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>41</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>42</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>43</sup> Lithium: British Geological Survey, 2016.

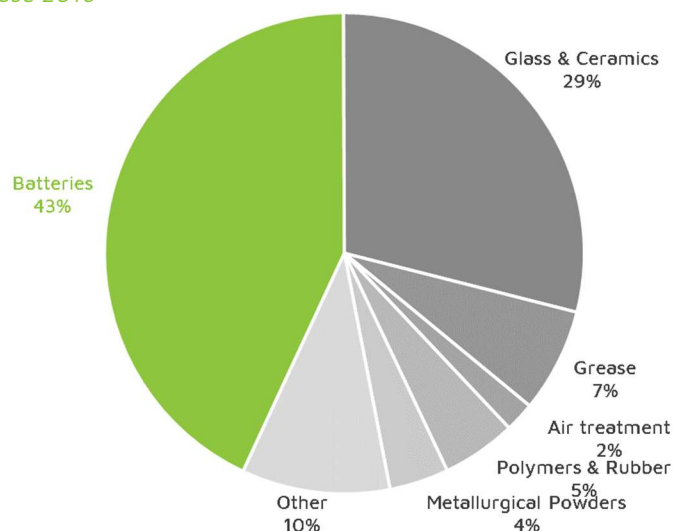
<sup>44</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>45</sup> Lithium & Graphite: Driving Disruption, UBS, 2017.

<sup>46</sup> Lithium: British Geological Survey, 2016.



Lithium demand by end use 2016



Source: UBS 2017.

#### Major global lithium hard rock projects – operating, development or exploration

Operator	Status	Project	Li2O	Resource (Mt)	Contained Li <sub>2</sub> O (kt)	Contained LCE (kt)
<b>Albemarle/Tianqi</b>	Operating	Greenbushes	2.40%	120 Mt	2,880	7,122
<b>Rio Tinto</b>	Exploration	Jadar	1.86%	136 Mt	2,530	6,256
<b>Kidman Resources</b>	Exploration	Early Grey	1.44%	128 Mt	1,843	4,558
<b>Pilbara Minerals</b>	Development	Pilgangoora (PLS)	1.25%	156 Mt	1,950	4,822
<b>Mineral Resources</b>	Operating	Wodgina	1.28%	121 Mt	1,549	3,830
<b>Neometals / Ganfeng / Mineral Resources</b>	Operating	Mt Marion	1.37%	78 Mt	1,069	2,643
<b>Altura Mining</b>	Development	Pilgangoora (AJM)	1.06%	40 Mt	424	1,049
<b>Nemaska Lithium</b>	Development	Whabouchi	1.48%	37 Mt	548	1,354
<b>Critical Elements</b>	Exploration	Rose	1.25%	37 Mt	463	1,144
<b>Jilin Jien Nickel</b>	Exploration	Quebec Lithium	1.19%	33 Mt	393	971
<b>Birimian Limited</b>	Exploration	Bougouni	1.42%	28 Mt	398	983
<b>Prospect Resources</b>	Exploration	Arcadia	1.42%	23 Mt	327	808
<b>Galaxy Resources</b>	Exploration	James Bay	1.20%	23 Mt	276	683
<b>AMG</b>	Exploration	Mibra	0.35%	19 Mt	67	164
<b>Galaxy Resources</b>	Operating	Mt Cattlin	1.08%	16 Mt	173	427
<b>Sayona Mining</b>	Exploration	Authier	0.96%	9 Mt	88	217
<b>Dakota Minerals</b>	Exploration	Sepeda	1.00%	10 Mt	100	247
<b>Total</b>					<b>15,074</b>	<b>37,278</b>

Source: UBS 2017

## Lithium output, reserves and resources by country

	2016 output (t)	Reserves (kt)	Resources (kt)
<b>Chile</b>	13.4	7,500	7,500
<b>Argentina</b>	6.2	2,000	9,000
<b>Bolivia</b>			9,000
<b>China</b>	2.1	3,200	7,000
<b>Australia</b>	11.8	1,600	2,000
<b>United States</b>	0.8	38	6,900
<b>Canada</b>			2,000
<b>Russia</b>			1,000
<b>Serbia</b>			1,000
<b>Portugal</b>	0.4	60	60
<b>Brazil</b>	0.0	48	200
<b>Zimbabwe</b>	0.9	23	100
<b>Total</b>	<b>35.7</b>	<b>14,469</b>	<b>45,760</b>

Source: UBS 2017.

## Rare Earth Elements

REE refer to the fifteen lanthanides (atomic numbers 57 to 71) plus scandium (21) and yttrium (39). They are typically classified into two groups, light (La - Sm) ("LREE") and heavy (Eu - Lu plus Y) ("HREE"), although sometimes there is a medium group (Sm - Gd). Because the elements are chemically similar and are found in a variety of minerals, the ability to economically mine, process and recover the elements is rare. For the past 25 years China has dominated the mining and processing of REEs.<sup>47</sup>

Mineralogy is a key driver in determining the economics of rare earth deposits. REEs are found in carbonates (Bastnaesite, LREE), oxides (Loparite and Fergusonite, both LREE and HREE), phosphates (Monazite/Apatite, LREE; Xenotime, HREE) and complex silicates (Eudialyte, Allanite, Britholite, both LREE and HREE).<sup>48</sup>

REE materials can be sold as mineral concentrates from the mine, mixed chemical concentrates (chlorides/carbonates), mixed oxides (didymium - Nd/Pr), separated oxides (in a range of purity levels), mischmetal, metal (in a range of purity levels), alloys and powders.<sup>49</sup>

Rare earth oxides ("REOs") with typically 99.9 % purity are the most commonly reported product for trade.

### *Rare earth element production and supply forecast*

World production of total REOs in 2013 is estimated at approximately 119 000 t with China dominating global rare earth mining and upstream processing. Approximately 90 % of REEs are sourced (mined) in China; however, it is estimated that China produces approximately 90 % of the LREEs and approximately 99 % of the HREEs due to its domination in mid-stream processing (metals/alloys/powders). Light rare earth production outside of China is starting to increase, notably Lynas Corp with production and processing in Australia and Malaysia respectively.<sup>50</sup>

Historically, China imposed restrictive export quotas on REEs to ensure domestic demand was met internally and to facilitate the shift of downstream production into China. Significant quota reductions sent prices to unprecedented highs in 2011 and cast a light on the risk of highly concentrated trade in the critical raw materials industry.

<sup>47</sup> Technical Report NI 43-101, 2015.

<sup>48</sup> Technical Report NI 43-101, 2015.

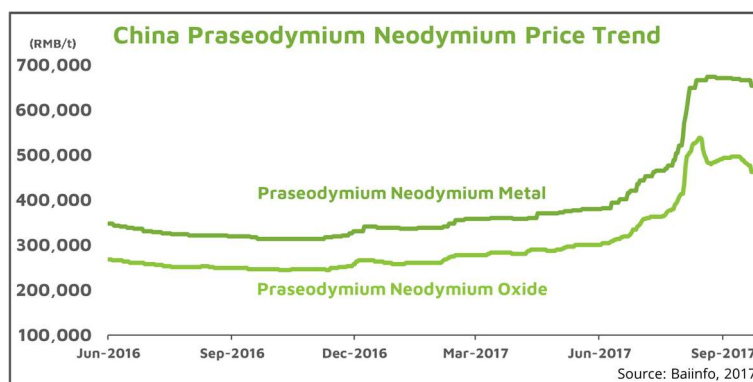
<sup>49</sup> Technical Report NI 43-101, 2015.

<sup>50</sup> Technical Report NI 43-101, 2015.

### Rare earth element consumption and demand forecast

Global demand for REE's in 2013 was estimated at approximately 121 000 t. Global demand was negatively impacted by the unprecedented high prices in 2011. Since then, demand growth has tempered as the Chinese economy has softened. The majority of REE's are currently consumed by the glass and magnet industries (each segment comprises 23 % of total consumption), followed by catalysts and alloys (19 % and 17 %, respectively).<sup>51</sup>

Japan and the USA are the key importers of rare earths, each representing approximately 37 % of Chinese exports Year to date May 2014. China is dominant in midstream processing (purification, metal and alloy processing, etc.), which has been developed and optimized over the past 35 years. Global rare earth production is forecast to be 163 000 tonnes in 2020, up from 119 000 t in 2013 (a seven year compound annual growth rate of 4.6 %).<sup>52</sup>



## Cobalt

Cobalt is a clear, greyish-silver, brittle metal that is capable of being magnetized. The material retains its strength at high temperatures and has low thermal and electrical conductivities. Cobalt forms alloys with other metals, imparting strength at high temperatures and the ability to maintain its magnetic properties at high temperatures.<sup>53</sup>

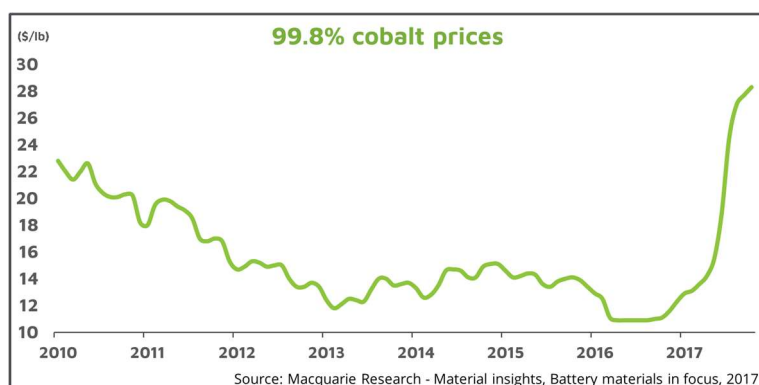
Pure cobalt cannot be found in nature, however, compounds are widely distributed in the earth's crust. Cobalt is almost always a by- or co-product of mining for other base metals, such as nickel or copper. Over 50 % of world cobalt mine production are a by-product from copper. 56 % of worldwide cobalt production is sourced comes from the Democratic Republic of the Congo.<sup>54</sup>

### Mining

Conventional mining methods are applied when extracting cobalt bearing deposits. After mining, ore is crushed and the cobalt-bearing minerals separated using physical and chemical methods, called beneficiation. Processing of cobalt generally begins after the primary metal, that is copper or nickel, has been concentrated and extracted. Common methods for cobalt extraction include pressure acid leaching for hydrometallurgical processing, or heat to separate the metals for pyrometallurgical processing.<sup>55</sup>

### End uses

Cobalt is typically produced as powders, briquettes and cathodes. Further, cobalt is produced in a wide variety of forms, such as: refined cobalt, cobalt matte, cobalt alloys and cobalt chemicals. Pure cobalt has limited use but is more common as alloying metal. For industrial uses, cobalt is used in the manufacture of chemical compounds. Rechargeable batteries



consume the largest proportion of cobalt in this sector. It is also used as pigment in glass, enamels, pottery and china.<sup>56</sup>

Cobalt mixed with certain other metals produces superalloys capable of withstanding severe mechanical stresses and temperatures. Cobalt added to nickel-based alloys creates superalloys for use in jet engines and turbines. Magnetic alloys can also be produced when cobalt is alloyed with other metals, with applications in high performance electrical equipment.

<sup>51</sup> Technical Report NI 43-101, 2015.

<sup>52</sup> Technical Report NI 43-101, 2015.

<sup>53</sup> Cobalt, British Geological Survey, Natural Environment Research Council, 2009.

<sup>54</sup> Berenberg Thematics, Berenberg 2016.

<sup>55</sup> Cobalt, British Geological Survey, Natural Environment Research Council, 2009.

<sup>56</sup> Cobalt, British Geological Survey, Natural Environment Research Council, 2009.

Aluminum-nickel-cobalt alloy, also known as Alnico, is one of the most versatile cobalt-based magnetic alloys. Cobalt is also an important component of lithium ion batteries. Lithium ion batteries may contain high amounts of cobalt in the form of lithium-cobalt oxide material.<sup>57</sup>

## Competition

The Company has identified multiple public and private competitors within critical materials. Below are a few companies within exploring, developing and production of such materials, not including the Chinese producers.

### Graphite

The Company has identified more than 43 competitors in the graphite market, which can be divided into three general categories, explorer, developer and operator. For the purposes of this documentation explorer is a company that has only identified a potential deposit and has not progressed to a feasibility study and the associated permitting status. A developer has a feasibility study in place and permits substantially in place. An operator has a fully constructed and permitted mine and production facility of graphite concentrates.

**Producers:** Skaland Graphite AS, Imerys Graphite & Carbon Switzerland Ltd, Eagle Graphite Inc, Elcora Advanced Materials Corp and Bass Metals Ltd.

**Developers:** Syrah Resources Limited, Northern Graphite Corporation, Battery Minerals Limited, Kibaran Resources Limited, Magnis Resources Limited, Mason Graphite Inc, Ontario Graphite Ltd.

**Explorers:** Great Lakes Graphite Inc, NextSource Materials Inc, Volt Resources Limited, Black Rock Mining Limited, Talga Resources Ltd, Triton Minerals Ltd and Canada Carbon Inc.

### Cobalt

**More significant junior cobalt players, typically with resources:** eCobalt Solutions Inc, Fortune Minerals Ltd, Northern Cobalt Ltd, CleanTeq Holdings Ltd, Ardea Resources Ltd, Cobalt Blue Holdings Ltd, GME Resources Ltd, European Cobalt Ltd, First Cobalt Corp, LiCo Energy Metals, Hammer Metals Ltd

**Cobalt producers:** Glencore plc, China Molybdenum, Sumitomo Metal Mining, Vale, Boliden AB, Sherritt International, Eramet SA, Independence Group NL, Gecamines

### Lithium

**Lithium producers:** Orocobre Ltd, Neometals Ltd, Pilbara Minerals Ltd, Galaxy Resources Ltd, Altura Mining Ltd, Mineral Resources Ltd, Albermarle Corp, FMC Corporation, Talison Lithium Ltd

**Lithium Juniors projects:** Bacanora Minerals Ltd, European Metals Ltd, Kidman Resources Ltd, Lithium Americas Corp, Global Geoscience Ltd, Nemaska Lithium Inc

### REE

**REE producers:** Lynas Corp

**REE Juniors Projects:** Northern Minerals Ltd, Hastings Technology Metals Ltd, Arafura Resources Ltd, Medallion Resources Inc, Greenland Minerals and Energy Ltd, Avalon Advanced Materials Inc

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<sup>57</sup> Cobalt, British Geological Survey, Natural Environment Research Council, 2009.

## BUSINESS OVERVIEW

*Leading Edge Materials is a Canadian incorporated company. The Company is the owner of the Woxna Graphite Mine, the Bergby lithium project, the Norra Kärr rare earth element deposit, and the Vena cobalt prospect in Sweden as well as the Kontio cobalt prospect in Finland. The Company's shares are traded on the TSXV as a Tier 1 mining issuer under the symbol "LEM" and, on September 2, 2016, commenced trading on the OTCQB under the symbol "LEMIF".*

### Introduction

Leading Edge Materials core investments are matched to high growth markets, linked to the global shift low-carbon energy generation and energy storage. The Company's assets and research are focused on raw materials for lithium ion batteries, materials for high thermal efficiency building products and materials that improve the efficiency of energy generation. Leading Edge Materials' four main projects are currently:

- ▶ the Woxna graphite project
- ▶ the Bergby lithium project
- ▶ the Norra Kärr REE rare earth element project("REE") and
- ▶ the Kontio cobalt project.

The Business Overview section is structured as follows. Firstly, the Business Model of the Company is presented, followed by descriptions of the four main projects, and lastly, the organizational structure is disclosed.

### Business Model

Leading Edge Materials aims to become a leading European supplier of critical materials such as graphite, lithium, cobalt and rare earth elements.

Leading Edge Materials seeks to capitalize on the opportunities that arises from the commodities industry within the named materials. Therefore, the business varies from exploration, mining, research & development and production of, mainly, high quality materials used in products such as lithium ion batteries.

### The Projects

The Company is the owner of the Woxna Graphite Mine, the Bergby lithium project, the Norra Kärr REE deposit, and the Kontio cobalt prospect in Finland. Those four projects are referred to as the main projects.

#### *The Woxna Project*

Woxna is strategically located in central Sweden, on the doorstep of a diverse range of European graphite consumers. Woxna is a fully permitted site, with an open pit mine, graphite processing facility and tailings storage dam already constructed. The site is currently permitted to feed 100,000 ton of graphitic rock per year, which allows for the production of approximately 10,000 tons of graphite concentrate.

Leading Edge Materials commenced graphite production at the Woxna Graphite project in July 2014. During 2014, stockpiled lower grade graphitic rock was used to test and commission the plant, and in the process produced commercial quantities of graphite concentrate with up to 92 % carbon content. This commissioning product was sold by January 2015.

Mining commenced in early 2015 and fresh graphitic rock was extracted from the open pit. Despite the Woxna project producing graphite to grade and recovery specifications, the global flake graphite became increasingly challenging during 2015, with prices falling to four year lows of less than US\$700/tonne. Given these weakening conditions, in July 2015 the Board elected to halt production until graphite prices recover.

The Woxna plant is now maintained on a production-ready basis while higher value graphite products are developed. The plant will not recommence meaningful production until market conditions improves. The Company invite enquiries at any time regarding immediate graphite sale opportunities.

Leading Edge Materials is now focused on the value added graphite market, to supply materials to the emerging energy production and storage, thermal insulation and additive manufacturing markets. With access to a sustainable supply of commercial graphite from the fully permitted Woxna project, the Company is well positioned to aggressively develop products for these exciting markets, in partnership with European research groups and customers.

The Woxna project and surrounding areas are secured upon mining leases and exploration licences which cover four known graphite deposits within an area totalling 146.71 hectare located nearby the town of Edsbyn, Sweden (Table 2).

The four deposits, all of which lie on mining leases within trucking distance of the Woxna facility, provide a total Measured and Indicated Resources of 7.7 million tonnes of 9.3 % graphitic carbon (Table 1). These mineral resources are calculated in accordance with Canadian Institute of Mining, Metallurgy, and Petroleum ("CIM") guidelines and reported within two National Instrument 43-101 reports with effective dates October 11, 2013 and March 24, 2015. The NI 43 101 Technical report is available on the website.

Graphite mineralization at Woxna is developed in Precambrian metasedimentary and metavolcanic host rocks which have been metamorphosed to sillimanite grade and intruded by felsic units ranging from alkali pegmatite to granite. Two discrete tabular zones of graphite mineralization have been discovered, probably representing elevated carbon in pre-cursor sedimentary units. The mineral assemblage includes accessory prehnite and zoisite and the ubiquitous quartz-feldspar-chlorite-sericite assemblage indicating a lower grade of metamorphism. Contact metamorphism is believed to be the source of heat for the formation of graphite. The graphite deposits occur beneath a thin blanket of Quaternary age moraine deposits.

Table 1: Total Measured and Indicated Mineral Resources at the Woxna Graphite Project, Sweden.  
Effective date March 24, 2015

<i>Mining Lease</i>	<i>Classification</i>	<i>Tonnes x 1,000,000 (Mt)</i>	<i>Graphite ("Cg") %</i>
<b>Gropabo</b>	<i>Indicated</i>	1.5	8.8
<b>Mattsmysra</b>	<i>Indicated</i>	3.4	8.4
<b>Kringelgruven*</b>	<i>Measured</i>	1.0	10.7
<b>Kringelgruven*</b>	<i>Indicated</i>	1.8	10.7
<b>TOTAL</b>	<b><i>Measured + Indicated</i></b>	<b>7.7</b>	<b>9.3</b>

\*Previously reported, refer to Company's press release September 3, 2013 and November 5, 2013 with an effective date of October 11, 2013

Table 2: Total Inferred Mineral Resources at the Woxna Graphite Project, Sweden.  
Effective date March 24, 2015

<i>Mining Lease</i>	<i>Classification</i>	<i>Tonnes (Mt)</i>	<i>Cg %</i>
<b>Gropabo</b>	<i>Inferred</i>	0.7	8.7
<b>Mattsmysra</b>	<i>Inferred</i>	1.2	8.4
<b>TOTAL</b>	<b><i>Inferred</i></b>	<b>1.9</b>	<b>8.5</b>

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.

***As a result of the new estimated mineral resources for the Woxna Project, effective March 24, 2015, there is no longer a current preliminary economic analysis ("PEA") for the Woxna Project and the previous PEA released by the Company in 2013 is no longer current or valid as it does not consider these additional mineral resources.***

This CIM mineral resource base includes two 100 %-owned flake graphite deposits at Gropabo and Mattsmysra, located 18km and 22km respectively from the Woxna processing plant. This is the first CIM mineral resource estimate for both Gropabo and Mattsmysra and adds to the previously announced (refer to press release dated September 18, 2012) Kringel flake graphite mineral resource (Tables 1 and 2). The Company's 100 % Woxna project is comprised of four separate mining concessions.

The mineral resource at Mattsmysra was drilled within an area approximately 2000m length by 100m width. Mineralization was intersected on all drill sections and is known to a depth of at least 180m below the surface and remains open. Mineralization strikes northwest-southeast, and dips varies between 70 and 80 degrees to the southwest. Mineralization is present as a five main mineralized bodies and ten smaller mineralized bodies. The thickness in the section of the plane was usually more than 23m, but varied between 8m and more than 155m. Mineralization at Mattsmysra remains open along strike and at depth, and geophysical data suggests potential for significant expansion.

The mineral resource at Gropabo was drilled within an area approximately 500m length by 100m width. Mineralization was intersected on all the drilling sections and is known to at least a depth of 60m below the surface. Mineralization strikes northwest-southeast, and dips varies between 65 and 85 degrees to the southwest and is present as a four main mineralized bodies. The thickness in the section of the plane was usually more than 6m, but varied between 1m and a little more than 25m. Mineralization at Gropabo remains open along strike and at depth.

#### *History of Project*

The Woxna Project produced flake graphite from 1996 to 2001, when it closed due to depressed graphite prices. The Woxna Project was acquired in August 2011 and since then the Company has been working to bring the property back to profitable production. The Woxna Project comprises four exploitation (mining) concessions located in the vicinity of the town of Edsbyn, northwest of the city of Gävle in Central Sweden. The Woxna Project comprises a partially depleted open pit and associated processing facility on the Kringelgruven concession which had been in intermittent production from 1996 to 2017. The other three concessions remain undeveloped. Graphite is developed in distinct zones in silicified metasedimentary and metavolcanic rocks. This type of mineralisation is particularly suited to discovery by electromagnetic geophysical methods. The Woxna Project area is well placed in terms of infrastructure with access to water and connections to power grid. The site has good roads in place which give good access to European graphite markets as well as surrounding regional facilities and infrastructure.

#### *R&D Projects*

The Company is collaborating in four Swedish government or European Commission supported projects, demonstrating the broad spectrum of potential markets for Woxna graphite:

1. Vinnova Graphene Energy Project – Announced December 6th 2017
2. Vinnova High Purity Graphite Battery Project – Natural Swedish Graphite for Future Lithium Ion Batteries – Announced 16th October, 2017
3. InnoEnergy Li Ion Battery Manufacturing Project – Announced 27th July 2017
4. Vinnova Graphene Composite Project – Graphene Modified Composites for Long-Term and High-Temperature Applications – Announced 8th June, 2017

These projects focus on sustainable high value applications for Woxna graphite. They apply both proven technology, and introduce innovative research to improve all aspects of the materials.

#### *Vinnova Graphene Energy Project*

The project entitled “Graphene Energy” aims to apply graphene from the Company’s Woxna graphite facility to enhance the electrical conductivity and the mechanical strength of lithium ion battery anodes. Other project partners comprise 2D fab AB, VestaSi AB, Ångström Advanced Battery Centre (ÅABC), Uppsala University (UU) and Mid Sweden University (MIUN).

#### *Vinnova High Purity Graphite Battery Project*

Company’s participation in a Swedish Government Funded research project entitled “Natural Swedish Graphite for Future Lithium Ion Batteries”.

Leading Edge Materials is a founding participant in the project, along with the Ångström Advanced Battery Centre (“ÅABC”), Uppsala University, Sweden. The project is focused on the application and optimization of high purity natural graphite as anode material for lithium ion batteries, using graphite sourced from Leading Edge Material’s Woxna project in Sweden. Major funding is provided by Vinnova, a Swedish government agency working under the Ministry of Enterprise and Innovation to promote research investment.

The Natural Swedish Graphite project brings together a very knowledgeable team with decades of lithium ion battery research and development experience. Led by Uppsala University’s Professor Kristina Edström, the ÅABC is the largest battery research group in the Nordic countries with research focused on all aspects of the chemistry of rechargeable batteries and fuel cells. The total project budget is SEK 1.75 million (approximately CA\$270,000) and the project is scheduled to run until Q3 2019.

Project aims include:

1. The manufacture of natural graphite powder with optimized particle size distribution and shape to facilitate rapid lithium movement;
2. Optimization of the natural graphite purification process with as low environmental impact as possible;
3. Testing of graphite electrodes using new processes and binders for commercialization;
4. Development of polymeric composites that withstand long term exposure to high temperatures and humidity by using graphene as diffusion barrier.



#### InnoEnergy Li Ion Battery Manufacturing Project

The Company is partnered with Northvolt AB as a part of an innovation project agreement with InnoEnergy for the establishment of a Large Scale Battery Manufacturing Project in Sweden. The aim of the project is that LEM will contribute to the production of battery cells through qualification of sustainably produced natural graphite. The project is focused on developing the conditions for a local source, very low CO2 impact and leading cost structure for battery cell manufacturing.

#### Vinnova Graphene Composite Project

The company recently announced the commencement of a VINNOVA funded research project, where the Company is a founding participant, involving the use of graphite and graphene in high performance polymeric composite materials. The project, entitled *Graphene Modified Composites for Long-Term and High-Temperature Applications* has a focus on aerospace and aeronautic applications, and aims to develop graphene modified polymeric materials using graphite sourced from Leading Edge Material's Woxna project in Sweden.

The above project is the next step after the Swedish Graphene Project, which falls under the European Union Graphene Flagship Project, a ten-year, EUR 1 billion project to research graphene commercialization. Woxna concentrate has now been processed into graphene by 2D Fab AB ("2D Fab"), a company spin-off from Mid Sweden University. The test work was completed at bench scale test levels at the 2D Fab facilities in Sweden.

In 2015, Svenskt Grafen (Swedish for "Swedish Graphene"), a 2-year, SEK 2.4 million project to investigate Woxna's Swedish flake graphite, and its suitability to produce graphene on an industrial scale was selected as one of the new projects supported by SIO Grafen. The project is investigating Woxna's Swedish flake graphite, and its suitability to produce graphene on an industrial scale. The project is progressing well and it is anticipated that further updates will be provided in the coming months. Woxna, as one of Europe's two graphite mines, and Sweden's only graphite producer, can supply domestically sourced natural flake graphite which provides a clear strategic advantage for Sweden.

#### Value Adding Projects

##### HPSG products for Lithium Batteries

In order to seek to place graphite into higher value markets, the Company has undertaken a variety of test work to produce HPSG using flotation concentrate from the Woxna Graphite Project. Commercial Chinese chemical leaching technology and US thermal purification processes have been trialed to produce HPSG for testing in lithium ion batteries. The Company continues to optimise and improve the purification process using proven commercial purification processes to produce the best possible value added product for qualification test work.

In 2015, a large quantity of flotation concentrates was shipped to an independent laboratory in the United States for spheronising and thermal purification. This high purity graphite was used to produce anode material for the manufacture of 18650 battery cells. These cells were tested using High Precision Coulometry ("HPC") to estimate the cell life cycle capability. HPC measures coulombic efficiency ("CE"). Highlights of the test work included a strong and consistent battery cell capacity over 2 Ah with high CE trending over 99 %. CE shows the loss of electrons per cycle, by accurately measuring the charge delivered during discharge against the charge stored during charging. The closer the CE gets to 100 % the longer the life of the battery. At 100 % CE the battery life is infinite, which has not been achieved to date in any lithium ion battery.

The Company is very pleased with the test results for natural flake graphite anode materials.

The Company's graphite product marketing has been focused on auto and battery cell manufacturers, with the aim of developing commercial relationships that will enable the Company to permit and construct a high purity graphite plant adjacent to the existing operational concentration facility. The Company believes the Woxna production facility is well positioned to be an integral part of the supply chain for battery cell manufacturing.



## Woxna site and processing facility



### *The Bergby Lithium Project*

The Bergby project is a lithium project located in central Sweden, 25km north of the town of Gävle. The claim area totals 1903 Ha. The site is close to infrastructure, with major roads, rail and power supply passing immediately adjacent to the claim boundaries. Mapping and sampling of the Bergby claim in late 2016 and early 2017 has located a large number of angular pegmatitic and aplitic lithium-mineralized boulders within an area of 650 meters by 250 meters. Lithium is hosted within the minerals spodumene and petalite. Analytical results for the first 27 boulder samples have been received, and average 0.85 % lithium oxide ("Li<sub>2</sub>O") and range from 0.08 % Li<sub>2</sub>O to 2.3 % Li<sub>2</sub>O. The boulders are anomalous in other elements which characterize lithium-cesium-tantalum ("LCT") pegmatites that are regularly associated with lithium deposits.

An 18 hole drill program was completed in June 2017. The 17 lithium mineralized holes lie along a 600 m strike following a trend of lithium mineralized pegmatite outcrop and boulders. Mineralization drilled to date lies very close to surface, and extends from the outcrop beneath thin glacial soil cover. Intersections often include elevated levels of tantalum (see Table 2 for all mineralized intersections). Preliminary petrographic studies indicate the presence of the lithium minerals spodumene and petalite, which should support a traditional mineral processing path.

A follow up program of 15 holes has been completed to test for extensions to mineralization. Results will be reported as they become available.

The true thickness of mineralized intervals is interpreted to be approximately 90 % of the sampled thickness.

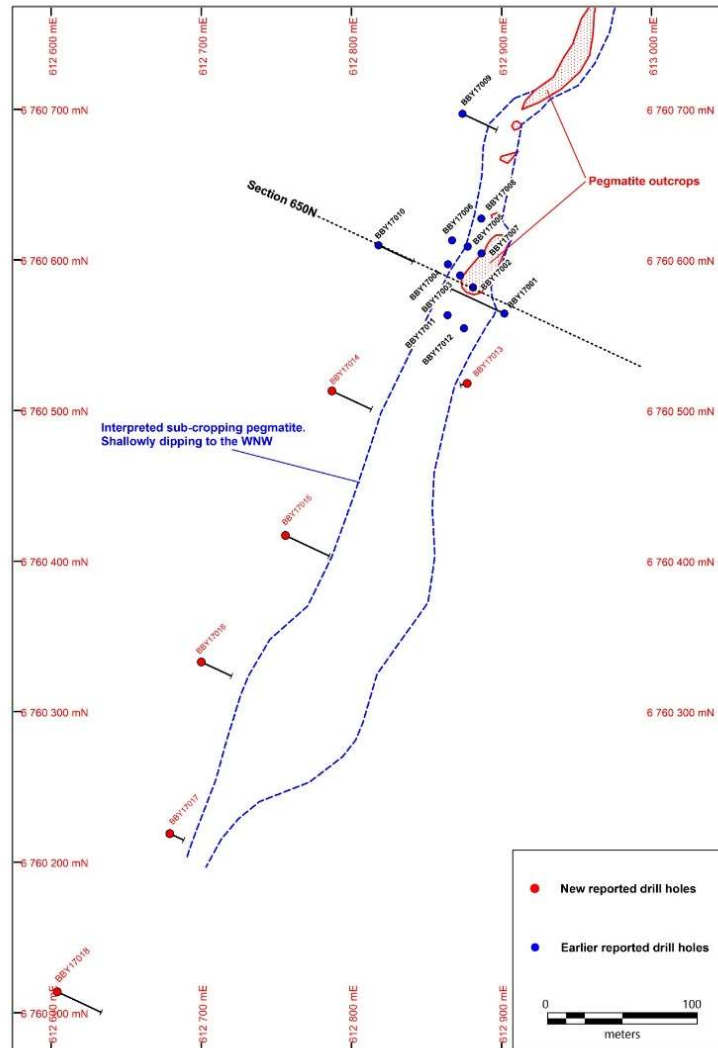
**Table 1: Drill collars locations and orientations, Bergby Project. Drilling was conducted with “Wireline 56” equipment proving core with a diameter of 39mm.**

Hole_ID	Easting SWEREF	Northing SWEREF	Elevation RH2000	Azimuth	Dip	Length
BBY17001	612902	6760564	35	295	45	54.80m
BBY17002	612881	6760582	35	0	90	14.80m
BBY17003	612872	6760590	35	0	90	16.45m
BBY17004	612864	6760597	35	0	90	17.90m
BBY17005	612877	6760609	35	0	90	17.95m
BBY17006	612866	6760613	35	0	90	27.00m
BBY17007	612886	6760604	35	0	90	12.00m
BBY17008	612886	6760627	35	0	90	14.75m
BBY17009	612874	6760697	37	115	60	50.20m
BBY17010	612818	6760609	35	115	60	50.30m
BBY17011	612864	6760563	35	0	90	14.40m
BBY17012	612875	6760555	35	0	90	11.35m
BBY17013	612877	6760518	35	255	75	17.40m
BBY17014	612787	6760513	35	115	45	40.80m
BBY17015	612756	6760417	35	115	50	50.00m
BBY17016	612700	6760333	35	115	60	44.30m
BBY17017	612679	6760219	35	115	70	29.30m
BBY17018	612604	6760114	35	115	50	50.20m

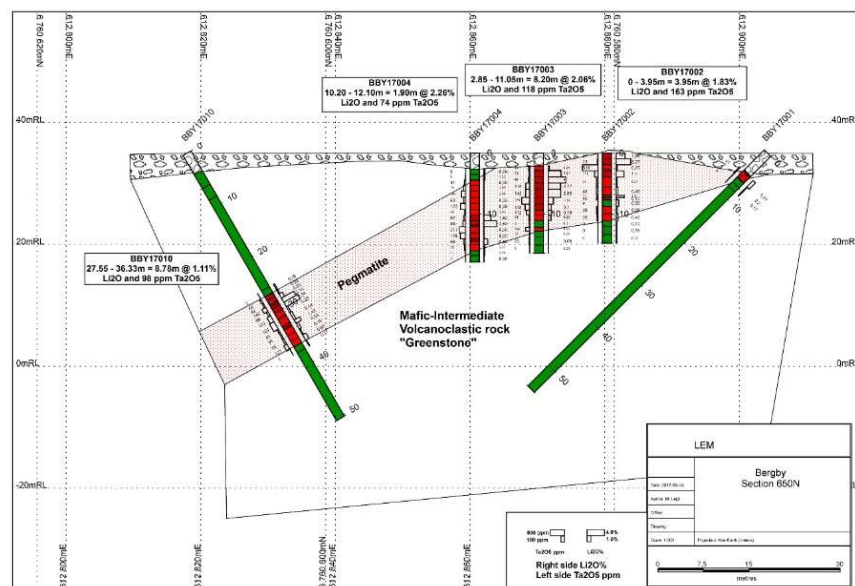
**Table 2: Mineralized intervals from 18 drill holes, Bergby Project**

Hole Number	FROM (m)	TO (m)	WIDTH (m)	Li2O%	Ta2O5 ppm
BBY17001	4.85	6.30	1.45	0.77	31
BBY17002	0.00	3.95	3.95	1.83	163
BBY17003	2.85	11.05	8.20	2.06	118
BBY17004	10.20	12.10	1.90	2.26	74
BBY17005	2.20	12.65	10.45	1.58	107
BBY17006	11.55	16.00	4.45	1.44	50
BBY17007	1.40	6.05	4.65	2.71	315
BBY17008	1.10	9.85	8.75	2.63	186
BBY17009	14.80	16.00	1.20	2.68	12
BBY17009	24.55	25.65	1.10	2.44	49
BBY17010	27.55	36.35	8.80	1.11	98
BBY17011	0.70	7.50	6.8	1.87	191
BBY17012	2.25	3.90	1.65	1.14	25
BBY17013	8.00	9.05	1.05	0.68	8
BBY17014	18.80	25.25	6.45	0.63	48
BBY17015	15.75	32.10	16.35	1.00	129
BBY17016	17.90	36.75	18.80	1.14	101
BBY17017	12.25	13.50	1.25	0.59	2
BBY17018	No significant mineralization				

**Location of Drilling and Interpreted Trend of Lithium-Bearing Pegmatite, Bergby Project.  
Grid presented in SWEREF coordinate system.**



**A cross section of selected drill holes showing continuity of mineralization**



## *The Norra Kärr REE Project*

### *Project Overview*

Norra Kärr lies in south-central Sweden, 15km NNE of the township of Gränna and 300km SW of the capital Stockholm in mixed forestry and farming land. The project is 100 % owned by Tasman, with a 25-year Mining Lease in place surrounded by an extensive area of exploration licences.

Norra Kärr is a zirconium (Zr) and heavy REE enriched peralkaline nepheline syenite intrusion which covers 450m x 1,500m in area. The deepest extents of the REE mineralized intrusion have not been delineated but exceed 350m. Mineralogical studies show nearly all of the REE in the deposit is found within the mineral eudialyte, with only trace britholite and mosandrite. Eudialyte at Norra Kärr is relatively rich in REE's compared to most other similar deposits globally, and also contains a very high proportion of high value heavy REE's.

Spatial distribution of rare earth bearing minerals at Norra Kärr is very consistent. total rare earth oxide ("TREO") grade, mineral grain size and heavy rare earth oxide ("HREO") to TREO ratio ("HREO/TREO") varies only slightly across the deposit in a concentric manner. REE bearing minerals do not vary with either strike or depth to any significant degree.

Uranium (U) and thorium (Th) levels at Norra Kärr are considered very low for an REE-enriched intrusion and do not significantly exceed background levels in surrounding areas. Thorium and uranium average value 6 ppm and 13 ppm respectively.

A Pre Feasibility Study ("PFS") was completed on the NK project in January 2015. This PFS and economic assessment is based on conventional open pit mining of a newly calculated Mineral Resource that was constrained to provide for a 20-year mine life. An average annual REO output of some 5,100 tonnes is envisaged, reflecting the recommendations of a market study for the most critical REE's. Ore is processed via a simple flowsheet, comprising crushing, grinding, magnetic separation, sulphuric acid leaching and precipitation of a purified mixed REE-oxalate which is calcined to form a mixed REO product.

The PFS is considered a complete study, addressing in addition to mining and processing, all required on site and off site infrastructure, land access, reagent and fuel transport and storage, power access, water recycling and purification, waste rock and tailings storage, and final closure.

The mining lease for Norra Kärr, is presently under reassessment by the Swedish Mines Inspectorate following a recommendation by the Swedish Supreme Administrative Court ("SAC"). The Mines Inspectorate is considering all four mining lease applications to determine any additional information that is required to meet the SAC's new interpretation of the Mining Act. The Company has been advised by legal counsel that the Norra Kärr Mining Lease remains in force and is 100 % owned by the Company. The Company continues to work with the authorities to provide any additional information required.

The Norra Kärr mining lease is surrounded by an Exploration License ("EL") which was first granted to Tasman on August 31, 2009. On August 31, 2015, Tasman applied for a two-year extension of this EL, which was granted by the Swedish Mines Inspectorate. Subsequently, the renewal of the EL was appealed to the Administrative Court in Falun. The Company was advised in late August 2016 that the appeal was upheld by the Administrative Court, which determined that the Mines Inspectorate was incorrect in granting the renewal to Tasman. The Company appealed this decision, and in February 2017, the Company was advised that its appeal was upheld and the EL was reinstated. This decision has also been appealed by opposing interests. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property.

The PFS confirms Norra Kärr to be an economically robust project, with a long mine life, and the capacity to be a major producer of the most critical REE's, dysprosium (Dy), yttrium (Y), neodymium (Nd) and terbium (Tb).

### *PFS Highlights*

- ▶ After-tax Net Present Value ("NPV") of US\$313 million using a 10 % discount rate
- ▶ Internal Rate of Return ("IRR") of 24 % pre tax and 20 % after tax using a 10 % discount rate
- ▶ Initial capital cost of US\$378 million including contingency – low for long mine life heavy REE producer
- ▶ Major exposure to the most critical REE's, with 74 % of revenue from magnet metals Dy, Nd, Pr, Tb, Sm
- ▶ Norra Kärr is the only REE project at PFS stage within the European Union
- ▶ Project able to produce more than 200 tonnes of dysprosium oxide per year for at least 20 years
- ▶ Unconstrained mine life is in excess of 60 years with extensive mineralization below and along strike from 20-year pit
- ▶ No requirement in flowsheet or economic model for proprietary or commercially untested technologies



#### Key Project Attributes:

- ▶ 25-year mining lease is already granted
- ▶ Highest HREO/TREO ratio of all major Western projects at 53 %
- ▶ Conventional open pit mining, with a constrained 20 year life of mine stripping ratio of 0.73
- ▶ Attractive location with extensive transport/power/water infrastructure in place and close to major European REE consumers
- ▶ High quality heavy REE-rich concentrate as reported in the Company's July 9, 2014 press release
- ▶ High leverage to anticipated increase in REE prices. Most revenue from Dy, Nd, Tb – the most in demand metals. Only 2.6 % of revenue from cerium (Ce) and lanthanum (La) which are forecast to remain in long term oversupply
- ▶ High level of reliance on local equipment, reagents and labour

#### Mineral Resource and Mineral Reserve Estimate

For the purposes of the PFS and following a supply and demand study of various REE market segments by Denco, WAI was requested to optimize the Mineral Resource and pit that would allow for production of 5,000 tonnes per year of separated REO over a constrained mine life of 20 years. This production rate was chosen due to the globally significant output of dysprosium, yttrium and terbium from Norra Kärr under this scenario.

Using this production rate and duration guidance provided by Tasman, WAI produced an optimized pit model to estimate the in-pit Mineral Resource as provided in Table 1. The Mineral Resource estimation was completed using a 3D block modelling approach utilising Datamine Studio 3® software. A TREO cut-off grade of 0.4 % shall be considered as the “base case”.

WAI was supplied with a database of geological and geotechnical logging as well as assay results. The database contained sample data from surface diamond drilling containing a total of 119 holes (20,420m) from which 9,986 samples have been assayed. All work completed by Tasman was considered to be of a high standard, with robust QA/QC protocols in place that demonstrated precision and accuracy of samples.

**Cautionary Note to U.S. Investors concerning estimates of Indicated Mineral Resources.** This section uses the term “indicated mineral resources”. We advise U.S. investors that while that term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. **U.S. Investors are cautioned not to assume that any part or all of an indicated mineral resource will ever be converted into reserves.**

Table 1: Indicated Mineral Resource for Norra Kärr Project, Effective Date 13th January 2015.

TREO % Cut- Off Grade	Tonnes (M)	TREO (%)	% HREO in TREO	Dy <sub>2</sub> O <sub>3</sub> (%)	Y <sub>2</sub> O <sub>3</sub> (%)	Eu <sub>2</sub> O <sub>3</sub> (%)	La <sub>2</sub> O <sub>3</sub> (%)	Nd <sub>2</sub> O <sub>3</sub> (%)	Ce <sub>2</sub> O <sub>3</sub> (%)	Gd <sub>2</sub> O <sub>3</sub> (%)	Tb <sub>2</sub> O <sub>3</sub> (%)	Pr <sub>2</sub> O <sub>3</sub> (%)	Sm <sub>2</sub> O <sub>3</sub> (%)	Lu <sub>2</sub> O <sub>3</sub> (%)
<b>0.2</b>	36.82	0.55	53.2	0.0253	0.2005	0.0020	0.0519	0.0603	0.1156	0.0183	0.00371	0.01504	0.01647	0.00227
<b>0.4</b>	<b>31.11</b>	<b>0.61</b>	<b>52.6</b>	<b>0.0273</b>	<b>0.2178</b>	<b>0.0022</b>	<b>0.0573</b>	<b>0.0668</b>	<b>0.1282</b>	<b>0.0200</b>	<b>0.00403</b>	<b>0.01668</b>	<b>0.01815</b>	<b>0.00238</b>
<b>0.6</b>	17.12	0.68	52.2	0.0299	0.2429	0.0025	0.0621	0.0769	0.1441	0.0226	0.00447	0.01896	0.02083	0.00251

#### Notes:

- 1) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
- 2) Mineral Resources are reported inclusive of any reserves.
- 3) The Mineral Resources reported have been constrained on the basis of a 20yr pit.
- 4) Mineral Resources are reported for combined Migmatitic Grennaite, Pegmatitic Grennaite, Grennaite with Catapleiite and Eudialyte Lakarpite mineralization only
- 5) The Mineral Resources reported represent estimated contained metal in the ground and has not been adjusted for metallurgical recovery.
- 6) Total Rare Earth Oxides (TREO) includes: La<sub>2</sub>O<sub>3</sub>, Ce<sub>2</sub>O<sub>3</sub>, Pr<sub>2</sub>O<sub>3</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.
- 7) Heavy Rare Earth Oxides (HREO) includes: Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.
- 8) Preferred Base Case Mineral Resources are reported at a TREO % cut-off grade of 0.4% TREO.
- 9) Metal prices used for 20yr pit constraint comprise:

Cerium Oxide	US\$/g	0.005	Neodymium Oxide	US\$/g	0.105
Dysprosium Oxide	US\$/g	0.470	Praseodymium Oxide	US\$/g	0.075
Erbium Oxide	US\$/g	0.000	Samarium Oxide	US\$/g	0.007
Europium Oxide	US\$/g	0.700	Terbium Oxide	US\$/g	0.725
Gadolinium Oxide	US\$/g	0.020	Thulium Oxide	US\$/g	0.000
Holmium Oxide	US\$/g	0.000	Yttrium Oxide	US\$/g	0.015
Lanthanum Oxide	US\$/g	0.007	Ytterbium Oxide	US\$/g	0.000
Lutetium Oxide	US\$/g	1.300			

- 10) The potential development of Mineral Resources may be materially affected by legal, political, environmental or other risks.

WAI has completed an open pit design based on the Mineral Resource block model of Norra Kärr. Datamine NPV Scheduler software was used to generate an optimized design based on technical and economic parameters supplied by Tasman and GBM, and mining costs derived by WAI. Taking into account of modifying factors (loss/dilution, geotechnics) an open pit mine design was based on the optimized pit shell to provide an estimate of Mineral Reserves.

Probable Mineral Reserves are reported at this stage due to the confidence of Mineral Resources, as provided in Table 2, with a full break down of REE's in Table 3. Probable Mineral Reserves total 23.6 million tonnes ("Mt") of ore material at 0.59 % TREO. Mined waste totals 17.3 Mt for total 20-year mining of 40.8 Mt, life of mine stripping ratio (total waste:total ore) of 0.73, and an average pit slope angle of 53 degrees Mineral Reserve estimates have been based on a targeted 20 year mine life. The unconstrained mine life, at current economic parameters, is in excess of 60 years.

**Cautionary Note to U.S. Investors Concerning Estimates of Proven and Probable Reserves.**

The references in the following tables to "probable mineral reserves" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - Standards on Mineral Resources and Mineral Reserves – Definitions and Guidelines, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, the following information may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

*Table 2: Probable Mineral Reserves for Norra Kärr Project, Effective Date 13<sup>th</sup> January 2015.*

Tonnes (M)	TREO (%)	HREO%	% HREO in TREO	Dy <sub>2</sub> O <sub>3</sub> (%)	Y <sub>2</sub> O <sub>3</sub> (%)	Eu <sub>2</sub> O <sub>3</sub> (%)	La <sub>2</sub> O <sub>3</sub> (%)	Nd <sub>2</sub> O <sub>3</sub> (%)	Ce <sub>2</sub> O <sub>3</sub> (%)	Gd <sub>2</sub> O <sub>3</sub> (%)	Tb <sub>2</sub> O <sub>3</sub> (%)	Pr <sub>2</sub> O <sub>3</sub> (%)	Sm <sub>2</sub> O <sub>3</sub> (%)	Lu <sub>2</sub> O <sub>3</sub> (%)
23.6	0.592	0.314	53.1	0.0269	0.215	0.0022	0.0551	0.0648	0.124	0.0196	0.00396	0.0161	0.0178	0.00234

**Notes:**

- 1) Mineral Reserves are reported based on material contained within the Final Mine Design.
- 2) Mineral Reserves are constrained to a designed 20yr mine life.
- 3) Mineral Reserves are reported for combined Migmatitic Gneiss and Pegmatitic Gneiss only.
- 4) Mineral Reserves reported have been adjusted for mining factors, at 3.5 % dilution and 5.0 % loss.
- 5) Mineral Reserves are reported to 3 significant figures.
- 6) Total Rare Earth Oxides (TREO) includes: La<sub>2</sub>O<sub>3</sub>, Ce<sub>2</sub>O<sub>3</sub>, Pr<sub>2</sub>O<sub>3</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.
- 7) Heavy Rare Earth Oxides (HREO) includes: Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.
- 8) Metal prices used for 20yr pit constraint comprise:

Cerium Oxide	US\$/g	0.005	Neodymium Oxide	US\$/g	0.105
Dysprosium Oxide	US\$/g	0.470	Praseodymium Oxide	US\$/g	0.075
Erbium Oxide	US\$/g	0.000	Samarium Oxide	US\$/g	0.007
Europium Oxide	US\$/g	0.700	Terbium Oxide	US\$/g	0.725
Gadolinium Oxide	US\$/g	0.020	Thulium Oxide	US\$/g	0.000
Holmium Oxide	US\$/g	0.000	Yttrium Oxide	US\$/g	0.015
Lanthanum Oxide	US\$/g	0.007	Ytterbium Oxide	US\$/g	0.000
Lutetium Oxide	US\$/g	1.300			
- 9) Indicated Mineral Resources are inclusive of Mineral Reserves.
- 10) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- 11) The potential development of Mineral Resources may be materially affected by legal, political, environmental or other risks.

Table 3: Composition of TREO in 20-Year Mineral Reserve, Norra Karr

RARE EARTH OXIDE	GRADE (%)	RELATIVE DISTRIBUTION	
Lanthanum (La)	0.0551	9.3%	LIGHT REE
Cerium (Ce)	0.1240	20.9%	
Praseodymium (Pr)	0.0161	2.7%	
Neodymium (Nd)	0.0648	10.9%	
Samarium (Sm)	0.0178	3.0%	
Total Light REO	0.2778	46.9%	
Europium (Eu)	0.0022	0.37%	HEAVY REE
Gadolinium (Gd)	0.0196	3.3%	
Terbium (Tb)	0.0040	0.7%	
Dysprosium (Dy)	0.0269	4.5%	
Holmium (Ho)	0.0059	1.0%	
Erbium (Er)	0.0184	3.1%	
Thulium (Tm)	0.0028	0.5%	
Ytterbium (Yb)	0.0172	2.9%	
Lutetium (Lu)	0.0023	0.4%	
Yttrium (Y)	0.2150	36.3%	
Total Heavy REO	0.3143	53.1%	
TREO	0.5920	100%	
ZrO2	1.84		
Hf	0.0286		
U	0.0013		
Th	0.0006		

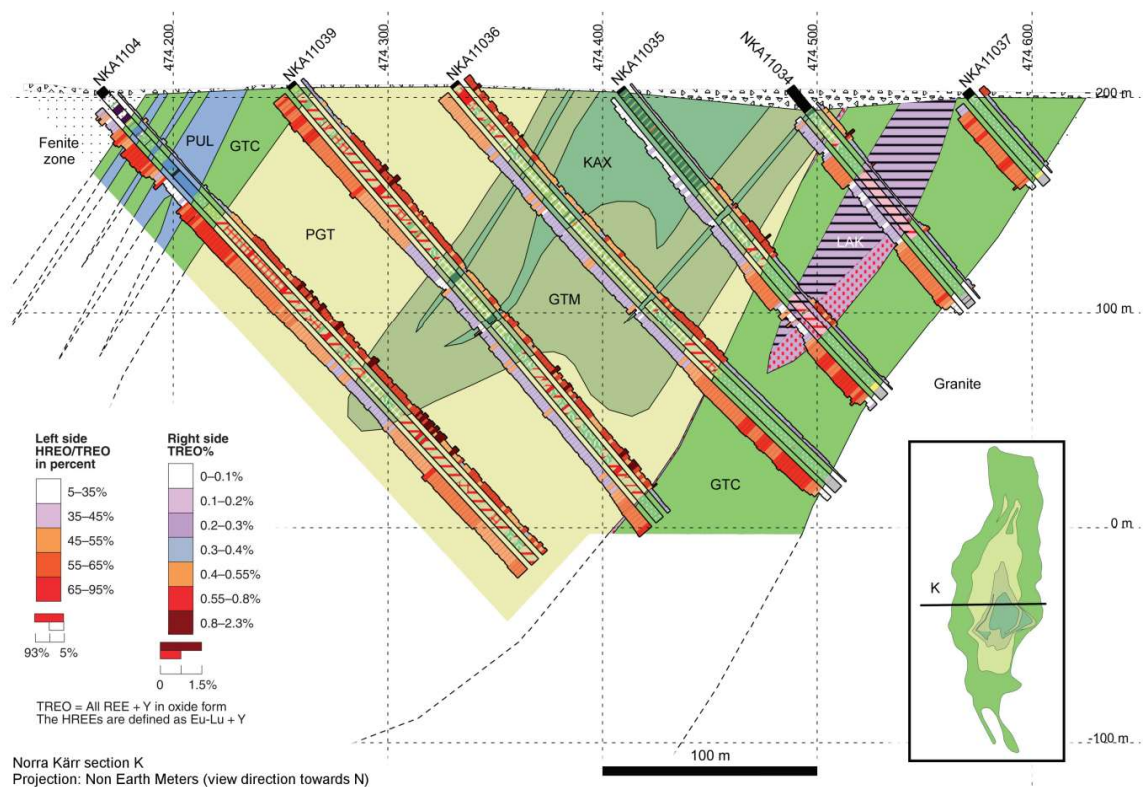
Samples submitted by Tasman Metals Ltd used with the Mineral Resource calculation quoted above were analyzed by the ME-MS81 technique by ALS Chemex Ltd's laboratories in Piteå, Sweden and Vancouver, Canada, where duplicates, repeats, blanks and known standards were inserted according to standard industry practice. Where over-range for ME-MS81, Zr was determined using the ME-XRF10 technique.



*Norra Kärr exploration work and computer-generated deposit models*



*Geological cross section through the central part of the complex*



### *The Kontio cobalt-copper project*

The Kontio cobalt-copper project is located in north eastern Finland approximately 50 km northwest of the town of Kuusamo. The project is secured by a 30,800 hectare Kontio-Sarvivaara reservation which is valid until September 2018.

The Kontio project lies within the Kuusamo Schist Belt, host to numerous significant deposits in Eastern Finland. The Kuusamo Schist Belt is comprised of various meta-sedimentary sequences with regular mafic and felsic intrusive and regional scale albite alteration. Eleven cobalt-copper deposits or occurrences were discovered in the vicinity of the Kontio project during the 1970's and 80's, following which time no significant exploration work has been documented. The Company's Kontio-Sarvivaara claim reservation secures four of these occurrences, along strike potential of the Haarakumpu cobalt-copper deposit, plus numerous untested geophysical anomalies. The project area is being reviewed and a program will be defined.

## Organization

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") (see "Acquisition of Tasman") and changed its name to Leading Edge Materials Corp. The Company's principal office is located in Vancouver, Canada. The number of employees in the company are three, one employee (CEO) in Leading Edge Materials Corp. in Canada and two in Woxna AB. There are up to six consultants engaged by the parent company of which the CFO Nick Demare is engaged under a consultancy agreement and to Woxna AB is one consultant.

### *Legal structure*

The Company owns 100 % of its subsidiaries Flinders Holdings Ltd., Tasman Metals Ltd. and ACP Akku Oy. Woxna Graphite AB is held through Flinders Holdings Ltd. And Tasman Metals AB through Tasman Metals Ltd.

### *Qualified Person*

The qualified person for the Company's project, Mr. Blair Way B.S. (Geology) M.B.A., a Fellow of the Australasian Institute of Mining and Metallurgy, the Company's President and CEO, has reviewed and verified the contents of this document.

## FINANCIAL INFORMATION

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

(CAD)	Fiscal 2017			Fiscal 2016			Fiscal 2015	
Three Months Ended	Jul 31	Apr 30	Jan 31	Oct 31	Jul 31	Apr 30	Jan 31	Oct 31
<b>Operations</b>								
<b>Expenses</b>	-598,339	-661,022	-669,396	-2,060,555	-454,144	-460,150	-593,077	-632,295
<b>Other items</b>	-85,392	-59,749	-78,116	63,761	19,661	10,467	19,143	16,807
<b>Net loss</b>	-683,731	-720,771	-747,512	-1,996,794	-434,483	-449,683	-573,934	-615,488
<b>Basic and diluted loss per share</b>	-0.01	-0.01	-0.01	-0.04	-0.01	-0.01	-0.01	-0.01
<b>Dividends per share</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Financial Position</b>								
<b>Working capital</b>	4,430,469	3,980,145	3,582,767	2,436,641	1,947,010	2,314,419	2,723,864	3,233,642
<b>Total assets</b>	39,267,743	38,320,958	36,893,309	36,037,751	19,632,405	18,808,738	19,340,291	19,005,386
<b>Total non-current liabilities</b>	-9,557,984	-8,967,308	-7,942,687	-8,072,937	-8,272,979	-7,057,850	-7,068,777	-6,151,407

## Condensed consolidated interim statements of comprehensive loss

(CAD)		Three Months Ended July 31,		Nine Months Ended July 31,	
	Notes	2017	2016	2017	2016
<b>Expenses</b>					
Accounting and administration	9(b)	13,124	8,446	70,745	45,330
Accretion of property		-	24,274	-	70,419
Accretion of provision	7	19,179	9,856	56,844	29,568
Audit		-	7,913	51,160	55,406
Bank charges		634	603	3,912	2,180
Consulting	9	233,830	68,554	710,128	330,119
Corporate development		30,172	4,453	129,749	9,596
Depreciation	6	13,037	19,267	60,543	64,131
Equipment rentals and		4,285	3,343	13,048	18,928
Fuel, electricity and		18,799	13,530	60,871	41,292
Insurance		4,254	4,842	10,303	14,949
Legal		21,618	59,946	30,057	62,504
Management fees	9(a)	49,998	49,998	149,994	149,994
Office		10,842	12,561	34,806	37,165
Plant maintenance		7,535	14,590	23,364	24,350
Plant supplies and		3,575	24,436	10,172	35,007
Regulatory		2,375	3,121	13,154	7,850
Rent	9(b)	1,005	1,005	3,015	3,015
Salaries, compensation		103,356	109,611	286,916	436,502
Shareholder costs		7,461	1,500	15,886	2,500
Transfer agent		2,897	1,247	20,515	3,551
Travel		50,363	11,048	173,575	63,015
		598,339	454,144	1,928,757	1,507,371
<b>Loss before other items</b>		-598,339	-454,144	-1,928,757	-1,507,371
<b>Other items</b>					
Interest income		12,124	4,731	28,146	17,097
Foreign exchange		-96,359	4,676	-129,501	-2,924
Gain on sale of		-	10,254	-	14,068
Cost recoveries		-	-	3,247	21,030
Write-off of exploration	5	-1,157	-	-125,149	"-"
		-85,392	19,661	-223,257	49,271
<b>Net loss and</b>		-683,731	-434,483	-2,152,014	-1,458,100
<b>Loss per share - basic and diluted</b>		-0,01	-0,01	-0,03	-0,03
<b>Weighted average number of common shares outstanding - basic and diluted</b>					
		88,015,274	46,906,119	84,803,467	46,849,193

## Condensed consolidated interim statements of financial position

(CAD)	Note	July 31, 2017	October 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		4,539,405	2,698,836
GST/VAT receivables		38,152	36,885
Amounts receivable		43,793	40,463
Prepaid expenses and other		168,842	115,769
Inventory		96,648	93,600
Plant stores and supplies		96,546	93,501
<b>Total current assets</b>		<b>4,983,386</b>	<b>3,079,054</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	15,668,031	15,669,099
Property, plant and equipment	6	18,503,216	17,178,350
Reclamation deposit	7	113,110	111,248
<b>Total non-current assets</b>		<b>34,284,357</b>	<b>32,958,697</b>
<b>TOTAL ASSETS</b>		<b>39,267,743</b>	<b>36,037,751</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		552,917	642,413
<b>Non-current liabilities</b>			
Provision for site restoration	7	8,939,384	7,499,937
Property acquisition obligation	6	618,600	573,000
<b>Total non-current liabilities</b>		<b>9,557,984</b>	<b>8,072,937</b>
<b>TOTAL LIABILITIES</b>		<b>10,110,901</b>	<b>8,715,350</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	46,418,979	42,313,118
Share-based payments reserve		4,637,888	4,757,294
Deficit		-21,900,025	-19,748,011
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>29,156,842</b>	<b>27,322,401</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>39,267,743</b>	<b>36,037,751</b>

## Condensed Consolidated Interim Statements of Changes in Equity

Nine Months Ended July 31, 2017					
Share Capital					
	Number of shares	Amount CAD	Share-Based Payments Reserve CAD	Deficit CAD	Total Equity CAD
Balance at October 31, 2016	80,036,678	42,313,118	4,757,294	-19,748,011	27,322,401
Common shares issued for:					
Cash - private placement	7,640,586	3,801,900	-	-	3,801,900
Cash - share options exercised	502,500	215,400	-	-	215,400
Cash - warrants exercised	24,416	17,091	-	-	17,091
Share issue costs	-	-89,524	41,588	-	-47,936
Transfer on exercise of share options	-	160,994	-160,994	-	-
Comprehensive loss for the period	-	-	-	-2,152,014	-2,152,014
Balance at July 31, 2017	88,204,180	46,418,979	4,637,888	-21,900,025	29,156,842

Nine Months Ended July 31, 2016					
Share Capital					
	Number of shares	Amount CAD	Share-Based Payments Reserve CAD	Deficit CAD	Total Equity CAD
Balance at October 31, 2015	46,820,730	25,763,144	3,152,810	-16,293,117	12,622,837
Common shares issued for:					
Cash - share options exercised	145,000	14,500	-	-	14,500
Comprehensive loss for the period	-	-	-	-1,458,100	-1,458,100
Balance at July 31, 2016	46,965,730	25,777,644	3,152,810	-17,751,217	11,179,237

## Condensed Consolidated Interim Statements of Cash Flows

(CAD)	Nine Months Ended July 31,	
	2017	2016
<b>Operating activities</b>		
Net loss for the period	-2,152,014	-1,458,100
Adjustments for:		
Accretion of property acquisition obligation	-	70,419
Accretion of provision for site restoration	56,844	29,568
Depreciation	60,543	64,131
Foreign exchange	43,738	-1,883
Gain on sale of equipment	-	-14,068
Write-off of exploration and evaluation assets	125,149	-
Changes in non-cash working capital items:		
Amounts receivable	-3,330	12,259
GST/VAT receivables	-1,267	6,286
Prepaid expenses and deposit	-53,073	-23,313
Inventory	-3,048	-56
Plant stores and supplies	-3,045	214
Accounts payable and accrued liabilities	-89,496	-50,953
<b>Net cash used in operating activities</b>	<b>-2,018,999</b>	<b>-1,365,496</b>
<b>Investing activities</b>		
Proceeds on sale of equipment	-	36,173
Additions to property, plant and equipment	-2,806	-16,401
Expenditures on exploration and evaluation assets	-124,081	-10,971
<b>Net cash (used in) provided by investing activities</b>	<b>-126,887</b>	<b>8,801</b>
<b>Financing activities</b>		
Issuance of common shares	4,034,391	14,500
Share issue costs	-47,936	-
<b>Net cash provided by financing activities</b>	<b>3,986,455</b>	<b>14,500</b>
<b>Net change in cash</b>	<b>1,840,569</b>	<b>-1,342,195</b>
Cash at beginning of period	2,698,836	3,214,185
Cash at end of period	4,539,405	1,871,990

Supplemental cash flow information – See Note 11



## COMMENTS ON FINANCIAL INFORMATION

### Results of Operations

#### *Three Months Ended July 31, 2017 Compared to Three Months Ended April 30, 2017*

During the three months ended July 31, 2017 ("Q3") the Company reported a net loss of CAD 683,731, compared to a net loss of CAD 720,771 for the three months ended April 30, 2017 ("Q2"), for a decrease in loss of CAD 37,040. The decrease in loss was primarily attributed to the recognition of a write-off of exploration and evaluation assets of CAD 89,436 in Q2 compared to CAD nil in the Q3. This was partially offset against the recognition of a foreign exchange loss of CAD 96,359 in Q3 compared to a foreign exchange gain of CAD 21,686 in Q2.

#### *Nine Months Ended July 31, 2017 Compared to Nine Months Ended July 31, 2016*

During the nine months ended July 31, 2017 (the "2017 period") the Company reported a net loss of CAD 2,152,014 (CAD 0.03 per share), compared to a net loss of CAD 1,458,100 (CAD 0.03 per share) for the nine months ended July 31, 2016 (the "2016 period"), an increase in loss of CAD 693,914. The increase in loss is primarily attributed to:

- (i) a CAD 421,386 increase in expenses, from CAD 1,507,371 in the 2016 period to CAD 1,928,757 in the 2017 period;
- (ii) the recognition of a write-off of exploration and evaluation assets of CAD 125,149 in the 2017 period. No write-offs were made in the 2016 period; and
- (iii) the recognition of a foreign exchange loss of CAD 129,501 in the 2017 period compared to a foreign exchange loss of CAD 2,924 in the 2016 period.

Expenses increased by CAD 421,396 from CAD 1,507,371 during the 2016 period to CAD 1,928,757 during the 2017 period. Specific expenses of note during the 2017 period are as follows:

- (i) incurred consulting fees of CAD 710,128 (2016 - CAD 330,119) of which CAD 426,161 (2016 - CAD 199,691) was paid to consultants for mine management advisory services. In addition, CAD 134,212 (2016 - CAD 69,103) was paid to consultants in Canada for financial advisory services provided and CAD 149,755 (2016 - CAD 61,325) was incurred by current and former directors of the Company in their capacity as directors and officers. See also "Related Party Transactions and Balances";
- (ii) incurred CAD 149,994 (2016 - CAD 149,994) for management fees charged by the Company's President and CEO. See also "Related Party Transactions and Balances";
- (iii) during the 2017 period no accretion expense was recorded as the property acquisition obligation was fully accreted to its estimated future value. The Company recorded CAD 70,419 accretion expense during the 2016 period;
- (iv) incurred salaries, compensation and benefits expense of CAD 286,916 (2016 - CAD 436,502) for staff in the mining office in Sweden. During the 2016 period the Company increased staffing and casual labor hires specifically to facilitate the refurbishment of and commencement of operations at the Woxna Graphite plant. During the 2017 period staffing at the Woxna Graphite plant was maintained on a "production-ready state" to minimize costs;
- (v) incurred a total of CAD 70,745 (2016 - CAD 45,330) for accounting and administration services of which CAD 43,300 (2016 - CAD 22,600) was for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Nick DeMare and CAD 27,445 (2016 - CAD 22,730) was for bookkeeping and accounting services provided by an independent accountant in Sweden. The increase in fees reflects the increase in accounting services required for the additional subsidiaries and activities resulting from the acquisition of Tasman;
- (vi) corporate development expenses were higher during the 2017 period compared to the 2016 period from CAD 9,596 during the 2016 period to CAD 129,749 during the 2017 period. During the 2017 period the Company participated in several market awareness programs and attended several investments conferences;
- (vii) incurred travel expenses of CAD 173,575 (2016 - CAD 63,015) for ongoing travel by Company personnel to mainly oversee the Company's operations of the Woxna Graphite Mine, visit the various mineral exploration properties and attend investment conferences; and
- (viii) transfer agent fees increased by CAD 16,964, from CAD 3,551 during the 2016 period to CAD 20,515 during the 2017 period. During the 2017 period, the Company conducted an equity financing and paid the remaining costs incurred for the acquisition of Tasman.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the 2017 period the Company reported interest of CAD 28,146, an increase of CAD 11,049, compared to CAD 17,097 during the 2016 period, reflecting the higher levels of cash held during the 2017 period.

#### Financings

During the 2017 period the Company completed private placement financings of 4,004,222 units at CAD 0.45 per unit and 3,636,364 units at CAD 0.55 per unit for total gross proceeds of CAD 3,801,900. The Company intends to use the net proceeds from these placements to test work toward the production of high-purity graphite at the Woxna graphite project, to further lithium and cobalt exploration activities and for general corporate requirements. Proceeds from the placements will allow an accelerated work program during fiscal 2017. In addition, the Company issued 526,916 common shares on the exercise of share options and warrants for CAD 232,491.

## CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

*The figures as per 31st Oct 2017 which are used in this section (capital structure and indebtedness) is unaudited financial information.*

### Shareholders' Equity and Liabilities

(CAD)	Oct 31, 2017
<b>Total current liabilities</b>	315,616
Guaranteed	-
Secured	-
Unguaranteed/unsecured	315,616
<b>Total non-current liabilities</b>	618,600
Guaranteed	-
Secured	-
Unguaranteed/unsecured	618,600
<b>Total shareholders' equity</b>	51,056,867
Share capital	46,418,979
Legal reserve	-
Other reserves	4,637,888

### Net Financial Indebtedness

(CAD)	Oct 31, 2017
<b>(A) Cash</b>	3,125,889
<b>(B) Cash equivalents</b>	-
<b>(C) Trading securities</b>	-
<b>(D) Liquidity (A)+(B)+(C)</b>	3,125,889
<b>(E) Current financial receivables</b>	31,462
<b>(F) Current bank debt</b>	-
<b>(G) Current portion of non-current debt</b>	-
<b>(H) Other current debt (non-interest bearing)</b>	315,616
<b>(I) Current financial debt (F)+(G)+(H)</b>	315,616
<b>(J) Net current financial indebtedness (I)-(E)-(D)</b>	-2,841,735
<b>(K) Non-current bank loans</b>	-
<b>(L) Bonds issued</b>	-
<b>(M) Other non-current financial debt</b>	618,600
<b>(N) Non-current financial indebtedness (K)+(L)+(M)</b>	618,600
<b>(O) Net Financial indebtedness (J)+(N)</b>	-2,223,13

## Working Capital Statement

During the nine months ended July 31, 2017 the Company recorded a net loss of CAD 2,152,014 and, as at July 31, 2017, the Company had an accumulated deficit<sup>58</sup> of CAD 21,900,025 and working capital of CAD 4,430,469. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions improve. The Company is currently reviewing opportunities 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. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or modernizing the plant to produce value added production. In addition, in August 2016 the Company completed the acquisition of Tasman Metals Ltd. (“Tasman”). Tasman's primary asset is its Norra Kärr rare earth element deposit in Sweden and development of the Norra Kärr Property will require significant funds. 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. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Based on rolling previous 12 months burn rate and cash in the bank at the present there is enough financial resources to continue the company's operations at the current rate. In addition, the company has over the last 12 months successfully raised funds from supportive shareholders in order to finance projects within the company. As a TSX Venture Exchange listed and regulated company, the Company is not permitted to give any financial projections. The company's ability to deliver on development projects and engage with clients within the battery manufacturing industry will determine when the company may become profitable.

## Tangible Assets

### *Exploration and Evaluation Assets*

During the 2017 period the Company recorded total additions of CAD 133,521 (2016 – CAD 10,971), net of recoveries of CAD 9,440 (2016 – CAD nil) and write-offs of certain minor claims of CAD 125,149 (2016 – CAD nil). See note 5 for more information.

### *Property, Plant and Equipment*

During the 2017 period the Company recorded total additions of CAD 2,806 (2016 – CAD 16,401) to property, plant and equipment. The Company also recorded CAD 1,382,603 (2016 – CAD 2,023,425) increase to the provision for site restoration for the Kringelgruven concession. See note 6 for more information.

## Significant Events after 31 July 2017

As a TSX Venture Exchange listed and regulated company, Leading Edge Materials is required by applicable laws and regulations to publicly disclose and file all material changes. Since the 31st of July 2017 Leading Edge Materials has filed the following news reports which can be found on the company website and on [www.sedar.com](http://www.sedar.com);

- appointed Filip Kozlowski as new member of the Board of Directors;
- held the Company's Annual General Meeting of Shareholders where Blair Way, Nick DeMare, Mark Saxon, Michael Hudson and Filip Kozlowski were elected to serve as directors of the Company for the ensuing year. In addition the AGM also approved the ratification of the Company's 10% rolling stock option plan, the appointment of D+H Group LLP, Chartered Accountants, as the auditors of the Company for the ensuing year and the authorization for the directors of the Company to fix their remuneration;
- commenced a second drill program at the Bergby lithium project in Sweden;

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<sup>58</sup>Negative retained earnings balance. The Company has paid more dividends and generated more net losses than profits over the life of the business.

- provided an update on the Company's Norra Kärr heavy REE project in Sweden stating that preparation of additional supporting documents regarding the Norra Kärr Mining Lease is underway and is anticipated to be ready for submission to the Swedish Mining Inspectorate during December 2017;
- filed preliminary listing documents with Nasdaq Stockholm for the proposed dual listing of its common shares on Nasdaq First North;
- announced granting of stock options on November 2, 2017 to its directors and officers to purchase up to an aggregate of 2,200,000 common shares of Leading Edge Materials at an exercise price of CAD 0.64 per common share for a period of five years;
- announced their participation in a research project entitled "Natural Swedish Graphite for Future Lithium Ion Batteries" together with Ångström Advanced Battery Centre, Uppsala University, Sweden. Major funding is provided by Vinnova, a Swedish government agency working under the Ministry of Enterprise and Innovation to promote research investment; and
- due to work commitments, Nick DeMare resigned as director of the Company, continuing in his role as CFO. The event was press released on December 18, 2017.

## Certified Adviser

Remium, who is a member of and has an agreement with Nasdaq Stockholm AB, is engaged as Leading Edge Materials' Certified Adviser. In connection with a listing on First North, companies are required to engage a Certified Adviser in relation to the application process. The Certified Adviser is obligated to guide the Company in the process and to monitor that the Company is in compliance with the rules and regulations, both during the application process as well as when traded on First North.

## Liquidity Provider

The Company has entered into an agreement with Remium to act as liquidity provider, which aims to promote liquidity in Leading Edge Material's shares when traded on First North. The agreement runs until further notice from the day of the Listing.

## BOARD OF DIRECTORS, GROUP MANAGEMENT AND AUDITOR

### Board of directors and group management

According to Leading Edge Materials' articles of incorporation, the board of directors is to comprise not fewer than three directors, and the number of directors may be determined from time to time by resolutions of the board of directors. At the date of this Company Description the board of directors for the period up until the annual general meeting in 2018 comprises four directors elected by the annual general meeting of shareholders on September 28, 2017.". The board of Directors of Leading Edge Materials has appointed Blair Way as CEO.

The Board of Directors is presented in the table below, including information concerning year of birth, year of election to the board and independence in relation to the Company and management as well as the Company's major shareholders, if any.

	Year of birth	Year of election	Independent in relation to the Company and management	Independent in relation to the Company's major shareholders	Number of common shares in Leading Edge Materials
Michael Hudson, <i>Chairman</i>	1968	2012	Yes	Yes	491,326
Mark Saxon	1970	2012	Yes	Yes	3,447,566
Filip Kozlowski	1981	2017	Yes	Yes	100,000
Blair Way	1962	2013	No	Yes	164,000

### Directors

#### Michael Hudson

*Chairman of the board since 2012.*

**Born:** 1968

**Education:** B.Sc. in geology from the University of Melbourne. Graduate Diploma of Applied Finance and Investment through the Financial Services Institute of Australia ("FINSIA"). Fellow of the Australasian Institute of Mining and Metallurgy.

**Work experience:** Professional Geologist. Chairman and CEO of Mawson Resources Ltd. (since 2004) and Hannan Metals Ltd. (since 2016), both mineral exploration and development companies. Michael Hudson has over 26 years of experience in mineral exploration in Australia, Asia, South America and Europe.

**Other current assignments:** CEO and Chairman of the board of directors of Mawson Resources Ltd. and Hannan Metals Ltd.

**Previous assignments (past five years):** Board member of Tasman Metals Ltd. and Darwin Resources Corp.

**Independent in relation to the Company and management:** Yes.

**Independent in relation to the Company's major shareholders:** Yes.

**Holding of common shares in Leading Edge Materials:** 491,326 shares. Of these shares, 463,273 shares are owned in person and 28,043 shares are held by Sultana Super Fund, of which Mr. Michael Hudson is the trustee.

#### Mark Saxon

*Director since 2012*

**Born:** 1970

**Education:** B.Sc. in Geology from the University of Melbourne. Graduate Diploma of Applied Finance and Investment through FINSIA.

**Work experience:** Professional Geologist. Mark Saxon was the President and CEO of Tasman Metals Ltd., a Canadian mineral exploration and development company, from October 2009 to August 2016 when Tasman was acquired by Leading Edge Materials. Mark Saxon has over 24 years of experience working as a professional geologist.

**Other current assignments:** Board member of Mawson Resources Limited.

**Previous assignments (past five years):** Board member of Darwin Resources Corp. and CEO of Tasman Metals Ltd.

**Independent in relation to the Company and management:** Yes.

**Independent in relation to the Company's major shareholders:** Yes.

**Holding of common shares in Leading Edge Materials:** 3,466,316 shares. Of these, 3,438,273 shares are owned in person and 28,043 shares are held by Ridley Super Fund, of which Mark Saxon is the trustee.

### **Filip Kozlowski**

*Director since 2017*

**Born:** 1981

**Education:** M.Sc. in Business Administration (major in finance) from Stockholm School of Economics.

**Work experience:** Director of Treasury with Star Clippers Monaco SAM, between 2015 and 2017. From 2009 to 2015, Filip Kozlowski held the position of Portfolio Manager for each of Alencia AB, Perez Capital AB and APS Capital AB, all private wealth funds. From 2005 to 2009, Filip Kozlowski held the position of Principal Trader with Deutsche Bank AG London within their equity capital markets division.

**Other current assignments:** Chairman of the board of Locaprint AB (556927-0258).

**Previous assignments (past five years):** -

**Independent in relation to the Company and management:** Yes.

**Independent in relation to the Company's major shareholders:** Yes.

**Holding of common shares in Leading Edge Materials:** 100,000 shares in person.

### **Blair Way**

*Director and CEO since 2013*

**Born:** 1962

**Education:** B.Sc. in Geology from Acadia University. Master of Business Administration from the University of Queensland. Fellow of the Australasian Institute of Mining and Metallurgy.

**Work experience:** President and CEO of the Company since September 2013. Blair Way held a number of senior roles in TSX Venture Exchange - listed junior miners from 2012 – 2013.

**Other current assignments:** Board member of Aguila American Gold Ltd.

**Previous assignments (past five years):** Board member of Goldeneye Resources Corp. and Sunvest Minerals Corp. CFO of Rio Grande Mining Corp.

**Independent in relation to the Company and management:** No.

**Independent in relation to the Company's major shareholders:** Yes.

**Holding of common shares in Leading Edge Materials:** 164,000 shares through Ironbark Enterprises.

## Group management

### Blair way

*Director and CEO since 2013*

See information above under section *Directors*.

### Nick DeMare

*CFO since 2010.*

**Born:** 1954

**Education:** Bachelor in Commerce (B-Comm) from the University of British Columbia.

**Work experience:** Chartered Professional Accountant. President of Chase Management Ltd. since 1991. Chase is a private company which provides accounting, management, securities regulatory compliance and corporate secretarial services to companies listed on the TSX Venture Exchange or the Toronto Stock Exchange.

**Other current assignments:** Chairman of the board of directors of Rochester Resources Ltd. Board member and President of Hannan Metals Ltd. Board member and CFO of Advantage Lithium Corp., Aguila American Resources Ltd., East West Petroleum Corp., Hansa Resources Limited, Kingsmen Resources Limited, Mawson Resources Corp., Rockshield Capital Corp., Seaway Energy Services Inc. and Tinka Resources Limited. Board member of Argentina Lithium & Energy Corp., Global Daily Fantasy Sports Inc., Mirasol Resources Ltd., GGL Resources Inc. and Salazar Resources Limited.

**Previous assignments (past five years):** Board member of Leading Edge Materials Corp., Astral Mining Corp., Ava Resources Corp. and Batero Gold Corp. Board member and CFO of Canex Energy Corp., Caymus Resources Inc., Cliffmont Resources Ltd., Darwin Resources Corp., Halo Resources Ltd. and Tasman Metals Ltd. CFO of Astur Gold Corp.

**Independent in relation to the Company and management:** No.

**Independent in relation to the Company's major shareholders:** Yes.

**Holding of common shares in Leading Edge Materials:** 3,102,992 shares. Of these shares, 616,189 shares are owned through 888 Capital Corp. and 1,272,000 shares are owned through DNG Capital Corp. The remaining 1,214,803 shares are owned in person.

## Auditor

The most recent election of auditor took place at the annual general meeting on 28 September 2017, when the registered auditing firm D&H Group LLP (10<sup>th</sup> Floor, 1333 West Broadway, Vancouver, BC V6H 4C1), was re-elected as auditing firm for the period until the next annual general meeting. D&H Group LLP (chartered professional accountants) has served as auditor in charge since the company's inception (Oct 27, 2010). D&H Group LLP has served as Leading Edge Materials' auditor for the entire period covered by the historical financial information in this Company Description. D&H Group LLP has submitted an auditor's report for the consolidated financial statements for financial years included in the Business Description.

## Other disclosures concerning directors and group management

The office address of all members of Leading Edge Materials' board of directors and senior management is #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, Canada.

Leading Edge Materials' board of directors was appointed based on the proposal from the management committee of Leading Edge Materials. Michael Hudson and Mark Saxon were elected as directors at a general meeting of shareholders on February 22, 2012. Blair Way was elected as director at a general meeting of shareholders on September 13, 2013. Filip Kozlowski was appointed as director on August 2, 2017. Michael Hudson, Mark Saxon, Filip Kozlowski and Blair Way were re-elected as directors at the annual general meeting on September 28, 2017 for the period until the next annual general meeting.

None of the aforementioned directors or members of group management have family ties with another director or member of the Company's group management. No director or member of group management has been convicted in a fraud-related court case in the past five years. No director or member of group management has been the object of charges and/or sanctions by authorities or professional societies governed via public law or regulation (including authorized professional



bodies) in the past five years. Nor has any director or member of group management been prohibited by a court of law in the past five years from becoming a member in a company's administrative, management or control function, or of holding a leading or overriding function in a company. Furthermore, no director or member of group management has been involved in any bankruptcy, liquidation or bankruptcy administration in the past five years.

The Company's CFO Nick DeMare was an independent director of Andean American Gold Corp. until January 2011. On August 2, 2007 the company was issued a cease trade order by the BCSC for deficiencies in the companies continuous disclosure material related to its resource properties and for deficiencies in a previously filed National Instruments 43-101- Standards of Disclosure to Mineral Projects technical report. On October 22, 2007 the company filed an amended technical report and issued a clarifying news release. The cases trade order was lifted and the shares of the company resumed trading on October 24, 2007. Nick DeMare is also a director of Salazar Resources Limited. On September 10, 2010, the BCSC issued a cease trade order against Salazar for failing to file a technical report on its Curipamba project in Ecuador supporting its disclosure concerning mineral resources estimates in a news release dated February 25, 2009. The company filed a new technical report and the cease trade order was revoked by the BCSC on October 14, 2010 and its share resumed trading on October, 18, 2010.

No director or member of senior management has any private interests that could conflict with the Company's interests. However, as described above, certain directors and members of group management have financial interests in Leading Edge Materials through their shareholdings and/or stock options. As far as the Board of Directors is aware, no special agreements have been entered into with major shareholders, customers, suppliers or other parties concerning the election or appointment of directors, members of senior management or auditors.

More than half of the directors elected at the general meeting of shareholders are to be independent in relation to the Company and its management. There is no generally accepted definition of the term "independence." However, the independence of a director may be questioned if, for example, he or she directly or indirectly has extensive business connections or other extensive financial transactions with the Company. An overall evaluation of a director's relationship to the Company is necessary in every single case. Michael Hudson, Mark Saxon and Filip Kozlowski are all deemed to be independent both in relation to the Company and the management as well as any major shareholders. Blair Way is part part of the group management and is therefore deemed to be independent only in relation to any major shareholders. Independence in relation to major shareholders in the Company has been assessed based on Leading Edge Materials expected shareholder base at the time of the Listing.<sup>59</sup> When assessing whether a director is independent in relation to major shareholders, the scope of the director's direct or indirect relationship with the major shareholder is to be taken into account. Accordingly, three directors elected by the general meeting of shareholders are independent in relation to Leading Edge Materials and its management. Since there is no major shareholders in the Company, the entire board of directors are independent in relation Leading Edge Materials' major shareholders.

## Salaries and remuneration to the board of directors and members of group management

### *Remuneration to the board of directors*

The chairman of the board and directors are paid a director's fee in accordance with the board's decision based on recommendations of the Compensation Committee. Directors of the Company other than Blair Way are paid monthly fees for serving on the board. Certain directors are paid fees for serving on committees of the Company but are not paid for attending any committee or board meetings. Please refer to section *Remuneration paid and other remuneration during the period from November 1, 2015 to October 31, 2016* below for remuneration per director. Directors are entitled to receive compensation from the Company to the extent that they provide other services to the Company and any such compensation is based on rates that would be charged by such directors for such services to arm's length parties, from time to time. Directors are also entitled to be reimbursed for reasonable expenditures incurred in performing their duties of directors.

### *General principles for remuneration to members of group management in Leading Edge Materials*

The board determines the group management's compensation at the recommendation of the Compensation Committee, without reference to formal objectives, criteria or analysis, at the time of engagement of the group management and subsequently reviews compensation payable to a group manager from time to time to ensure that total compensation paid to all the group managers is fair and reasonable. Compensation is comprised of a monthly payment and long-term incentive compensation, which is provided through the granting of stock options of the Company.

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<sup>59</sup> For details concerning the ownership structure, please refer to section *The share, share capital and ownership conditions*.

For the Company's financial year ended October 31, 2016, the significant element of compensation paid and awarded to Blair Way was a salary paid to Blair Way as CEO, or to Ironbark Enterprises Inc., the significant elements of compensation paid and awarded to Nick DeMare as CFO of the Company and fees paid to Chase Management Ltd. for rent and administrative and accounting services rendered to the Company. Please refer to section *Remuneration paid and other remuneration during the period from November 1, 2015 to October 31, 2016* below for remuneration per manager. The base salary for each group manager is based on the position held, the related responsibilities and functions performed by the executive and that are competitive and motivation, commensurate with the time spent by managers in meeting their obligations and reflective of compensation paid by companies similar in size and business to the Company. Individual and corporate performance is also taken into account in determining base salary levels for executives. The board also relies on the Compensation Committee and its collective experience in similar lines of business when assessing compensation levels. The fees paid to Chase Management Ltd. for rent and administrative and accounting services are based on rates that would be charged for such services by arm's length parties.

#### *Agreement regarding post-employment remuneration*

The Company has not, except from what is stated below in section *Incentive programmes*, entered into any agreements with members of the Company's administrative, management or control function that would entitle the members to post-employment benefits. As of the publication date of this Company Description, there are no provisions or accrued costs for pensions or similar post-employment benefits.

#### *Incentive programmes*

The Company has no other incentive programmes than its option plan in the form of a rolling stock option plan, which makes a total of ten % of the issued and outstanding shares of the Company at any time available for issuance thereunder. The purpose of the option plan is to provide the Company with a share related mechanism to enable it to attract and retain qualified directors, officers, employees, management company employees and consultants, promote a proprietary interest in the Company and its affiliates among its employees, management company employees, officers, directors and consultants, and stimulate the active interest of such persons in the development and financial success of the Company and its affiliates. The option plan provides that it is solely within the discretion of the Board of Directors to determine which directors, officers, employees, management consultant employees and consultants should receive options and in what amounts. The options may have vesting provisions, as determined by the board of directors. Options may be granted for any term up to a maximum of ten years after the issuance of such options.

The policies of the TSX Venture Exchange require that the option plan be approved by the affirmative vote of a majority of the votes cast at the annual general meeting. Accordingly, the Company has on September 28, 2017 ratified an option plan. As at the date for this Company Description there are 6,607,500 stock options outstanding, leaving 2,222,918 common shares available for grant of further options under the option plan.

The table below shows the compensation securities granted or issued, in the last two years, by the Company to each director and group management of the Company for the financial year ended 31 October 2017 for services provided or to be provided, directly or indirectly, to the Company or any of its Subsidiaries.

## Compensation securities

	Function	Type of compensation security	Number of compensation securities	Date of issue or grant	Issue, conversion or exercise price	Closing price of security or underlying security on date of grant	Closing price of security at year end	Expiry date
<b>Michael Hudson</b>	Director Chairman	Stock options	400,000	2 November 2017	0.64	0.64	N/A	2 November 2022
<b>Mark Saxon</b>	Director	Stock options	550,000	14 October 2016	0.39	0.39	0.46	14 October 2021
		Stock options	400,000	2 November 2017	0.64	0.64	N/A	2 November 2022
<b>Filip Kozłowski</b>	Director	Stock options	400,000	2 November 2017	0.64	0.64	N/A	2 November 2022
<b>Blair Way</b>	Director and CEO	Stock options	1,450,000	14 October 2016	0.39	0.39	0.46	14 October 2021
		Stock options	400,000	2 November 2017	0.64	0.64	N/A	2 November 2022
<b>Nick DeMare</b>	CFO	Stock options	550,000	14 October 2016	0.39	0.39	0.46	14 October 2021
		Stock options	275,000	2 November 2017	0.64	0.64	N/A	2 November 2022
		Stock options	125,000	2 November 2017	0.64	0.64	N/A	2 November 2022
<b>Total</b>			<b>4,550,000</b>					

## Exercise of compensation securities

	Function	Type of compensation securities	Number of underlying securities exercised	Date of exercise	Exercise price per security	Closing price of underlying on date of exercise	Difference between exercise price and closing price on date of exercise	Total value on exercise date (CAD)
<b>Michael Hudson</b>	Director (Chairman)	Stock options	400,000	19 September 2017	0.39	0.62	0.23	248,000
<b>Mark Saxon</b>	Director	-	-	-	-	-	-	-
<b>Filip Kozłowski</b>	Director	-	-	-	-	-	-	-
<b>Blair Way<sup>60</sup></b>	Director and CEO	Stock options	100,000	13 April 2017	0.39	0.65	0.26	65,000
<b>Nick DeMare<sup>61</sup></b>	Director and CFO	Stock options	75,000	8 June 2016	0.10	0.50	0.40	37,500
<b>Mikael Ranggard</b>	Former director	-	-	-	-	-	-	-
<b>Total</b>			<b>575,000</b>					

<sup>60</sup> Ironbark Enterprises Inc., a private company wholly owned by Blair Way.

<sup>61</sup> Exercised by Chase Management Ltd., a private company wholly owned by Nick DeMare.

## Remuneration paid and other remuneration during the period from November 1, 2015 to October 31, 2016

The table below shows the amounts paid in remuneration to members of the Board of Directors and group management (including contingent or delayed remuneration and similar) during the period from November 1, 2015, to October 31, 2016, inclusive, and any non-cash benefits (except from the option plan above) approved by the Company or its subsidiaries for these individuals for services performed on behalf of the Company, regardless of the capacity in which the services were performed or who performed the services.

*Table of remuneration, excluding option plan (CAD)*

	Function	Salary, consulting fee, retainer or commission	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total
Michael Hudson	Director (chairman)	12,000	0	0	0	12,000
Mark Saxon	Director	12,000	0	0	0	12,000
Filip Kozlowski	Director	N/A	N/A	N/A	N/A	N/A
Blair Way	Director and CEO	199,992	0	0	0	199,992
Nick DeMare <sup>62</sup>	CFO and former director	22,000	0	0	33,420 <sup>63</sup>	55,420
Mikael Ranggard <sup>64</sup>	Former director	1,000	16,600	0	0	17,600
Robert Atkinson <sup>65</sup>	Former director	11,000	0	0	0	11,000
<b>Total</b>	-	<b>250,992</b>	<b>16,600</b>	<b>0</b>	<b>33,420</b>	<b>301,012</b>

<sup>62</sup> Nick DeMare resigned as director of the Company on December 18, 2017.

<sup>63</sup> Paid to Chase Management Ltd. Of these amounts, 29,400 was paid for accounting and administrative services and 4,020 in rent during 2016.

<sup>64</sup> Appointed as director and member of the legal advisory committee on September 7, 2016. Mikael Ranggard resigned as a director and member of legal advisory committee on July 11, 2017.

<sup>65</sup> Robert Atkinson resigned as director of the Company on August 25, 2016.

## CORPORATE GOVERNANCE

### Canadian Legislation and Corporate Governance Requirements

Leading Edge Materials was incorporated on October 27, 2010 under the BCBCA and is primarily regulated by the BCBCA. The Company's common shares are listed for trading on the TSX Venture Exchange (Canada) since June 10, 2011 and the OTCQB (US) since September 2, 2016. The Company's Shares are also expected to be admitted to trading on First North (Sweden).

The Company's corporate governance practices are created in compliance with and pursuant to National Policy 58-20-Corporate Governance Guidelines ("**Governance Guidelines**") and National Instrument 58-101-Disclosure of Corporate Governance Practices ("**Governance Disclosure Rules**" and collectively with Governance Disclosure Rules, "**Applicable Canadian Requirements**"), applicable to companies listed on the TSX Venture Exchange, which are put in place by the Canadian Securities Administrators (the "**CSA**").

The Governance Guidelines are not intended to be prescriptive and are guidelines to be referenced by companies in developing their corporate governance practices. The Governance Guidelines deal with matters such as composition and independence of a corporate board, functions, effectiveness and education of board members, and other matters relating to establishing complete corporate governance practices.

The Governance Disclosure Rules are more prescriptive and require that management of a company provide specific disclosure of its corporate governance practices in its management information circular when soliciting votes from its shareholders for the purpose of electing directors.

The board of directors of the Company recognizes the importance of establishing and maintaining sound corporate governance practices in effective management of the Company and in protection of its employees and shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed and to enhance shareholder value. The Company considers good corporate governance to be central to the effective and efficient management and operation of the Company, and the Board is directly responsible for developing the Company's approach to corporate governance issues. The Company believes that its corporate governance practices have been, and continue to be, in compliance with Applicable Canadian Requirements. The Company continues to monitor corporate governance developments in Canada with a view to further improve its governance policies and practices.

In addition to Applicable Canadian Requirements, the Company also needs to comply with the various exchange institutes different regulations. Listed shares and the companies' behavior on First North are regulated through Nasdaq First North Rulebook. Nasdaq First North Rulebook generally require companies to comply with other mandatory corporate governance rules provided in the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code. However, the requirements do not apply to non-Swedish companies. As a non-Swedish company, the Company does not intend to comply with any other rules than those explicitly stated in the Nasdaq First North Rulebook.

Further details regarding rules in relation to corporate governance are set forth below under *Certain Differences in Canadian and Swedish legislation*.

### General Meetings of Shareholders

#### *Entitlement to participate at general meetings of shareholders and the right of initiative*

Under the BCBCA, the Company must hold an annual general meeting of shareholders at least once in each calendar year and not more than fifteen months after the annual general meeting for the preceding calendar year. General meetings of shareholders must be held in British Columbia unless, (i) a location outside of British Columbia is provided for in the articles of the Company; (ii) the articles do not restrict the Company from approving a location outside of British Columbia for the holding of the general meeting and the location of the meeting is, (a) approved by the resolution required by the articles for that purpose, or (b) if no resolution is required for that purpose by the articles, approved by ordinary resolution; or (iii) the location for the meeting is approved in writing by the British Columbia registrar of companies before the meeting is held.

The Board of Directors may call an extraordinary general meetings of shareholders at any time if allowed by the Articles. A general meeting may also be called by an order of the court acting on its own motion or upon the application of the Company, a director, or a shareholder entitled to vote at a meeting. The shareholders of not less than five % of the issued

Shares that carry the right to vote at general meetings may requisition a general meeting of the shareholders for the purpose of transacting any business that may be transacted at a general meeting. On receiving the requisition, the Board of Directors shall call a meeting of shareholders to be held no more than 4 months after the requisition is received by the Company. If the Board of Directors fails to send notice of a general meeting within 21 days of the Company receiving such requisition, any one or more of the shareholders who signed the requisition and, in the aggregate, hold more than two and a half % of the issued shares of the Company that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition.

Under the BCBCA, shareholder action without a meeting may be taken by written resolution signed by all shareholders who would be entitled to vote on such resolution at a meeting of shareholders.

Unless the Articles otherwise provide, a shareholder or proxy holder may participate in, including vote at, a meeting of shareholders by telephone or other communications medium if all shareholders and proxy holders so participating are able to communicate with each other. The Company is not obliged under the BCBCA to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders.

#### *Voting right at general meetings of shareholders*

Under the BCBCA, a company may prepare a list of shareholders entitled to vote as of the record date that shows the number of shares held by each shareholder. A registered shareholder can either attend the meeting and vote in person or appoint someone else to vote his or her Shares (a “**Proxy holder**”). The articles of a company may contain provisions relating to the conduct of a Proxy holder at a meeting of shareholders.

A nominee-registered shareholder has beneficial ownership of the shares but a bank, trust company, securities broker, or other financial institution (an “**Intermediary**”) is the registered holder that holds the shares on behalf of the beneficial owner. The Intermediary cannot vote for the shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner request and provides an intermediary with appropriate documentation, the Intermediary must appoint the beneficial owner or nominee of the beneficial owner as a Proxy holder.

## Board of Directors of the Company

#### *Board structure and function*

Under the BCBCA and the Applicable Canadian Requirements, a public company must have at least three directors. The articles of a company may require that directors be elected at the annual general meeting of shareholders for a term expiring at the end of the next annual general meeting. The directors may also, if the articles so provide, appoint one or more additional directors, provided that the total number of directors so elected shall not exceed one third of the number of the current directors who were elected or appointed as directors in a general meeting.

The Articles provide that the Company shall have a minimum of three directors, and that the number of directors may be determined from time to time by resolution of the Board of Directors. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles or the provisions of the BCBCA.

The Board of Directors is currently comprised of five directors, Blair Way, Michael Hudson, Mark Saxon and Filip Kozlowski, most recently elected at the annual general meeting held on September 28, 2017. Three of the members of the Board have been determined by the Board of Directors to be independent as defined in Applicable Canadian Requirements as they are not members of management and are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than interests and relationships arising from shareholding.

Blair Way (President and CEO) is not considered independent as he is an executive officer of the Company. For more information about the members of the Board of Directors see *Board of directors, senior management and auditor*.

#### *Board of Directors roles and responsibilities*

The mandate of the Board of Directors is to supervise the management of the Company and to act in the best interest of the Company. The Board of Directors acts in accordance with the BCBCA; the Company's Articles; the mandate of the Board of Directors and the charters of the Board's committees (the “**Committees**”) and other applicable laws and policies.

The Board of Directors seeks to fulfill its mandate by reviewing, discussing and approving the Company's strategic planning and organizational structure to enhance and preserve the business of the Company and the underlying value of the Company. The Board of Directors discharges its responsibility for overseeing the management of the Company's business by delegation to the Company's senior officers the responsibility for day-to-day management of the Company. The Board

of Directors discharges its responsibilities both directly and indirectly through its various standing Committees; namely, the Audit Committee, the Technical Committee and the Compensation Committee. In addition to the Committees, the Board of Directors may appoint ad hoc Committees periodically to address issues of a more short-term nature. The Board of Directors' primary role is overseeing corporate performance and providing quality, depth and continuity of management to meet the Company's strategic objectives. Other principal duties include, but are not limited to, the following categories: (i) succession planning; (ii) board organization; (iii) strategic planning; (iv) monitoring of financial performance and other financial reporting matters; (v) risk management; (vi) environmental oversight; (vii) policies and procedures; and (viii) communications and reporting.

The Board of Directors' mandate is to be evaluated, updated and adopted annually.

The Board of Directors holds meetings on a regular basis in accordance with its mandate, which includes fixed decision items as well as other items as needed. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks that may arise. Since Nov 1, 2015, the Board of Directors has held four meetings. At these scheduled meetings, the Board of Directors addressed the fixed items on the agenda for each meeting of the Board of Directors, in accordance with the Board of Directors' mandate.

#### *Audit Committee*

The Audit Committee has a written charter and its mandate is to assist the Board of Directors in fulfilling its responsibilities by among others, reviewing the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations. In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, management, and the external auditors and monitor the independence of those auditors.

As of the fiscal year ended October 31, 2017, the Audit Committee was comprised of three directors, namely Nick DeMare<sup>66</sup> (chairman), Mark Saxon and Michael Hudson.

In their positions with the Company and other mineral resource companies, members of the Audit Committee have been responsible for receiving information relating to other companies and obtaining an understanding of balance sheets, income statements and statements of cash flows and assessing the financial condition of companies and their operating results.

Each member has an understanding of the mineral exploration and mining business in which the Company is engaged and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Company's financial disclosures and internal control systems.

#### *Compensation Committee*

As of the fiscal year ended October 31, 2017, the Compensation Committee was comprised of two directors, namely, Mr. Mark Saxon (chairman) and Mr. Michael Hudson, all of whom are independent. The members of the Compensation Committee have direct experience, which is relevant to their responsibilities as Compensation Committee members. All members are or have held senior executive or director roles within the public company sector and have a good financial understanding, which allows them to assess the costs versus benefits of compensation plans. The members' combined experience in the raw material sector provides them with the understanding of the Company's success factors and risks, which is very important when determining metrics for measuring success.

The Compensation Committee has a written charter and its mandate includes reviewing and making recommendations to the Board in respect of compensation matters relating to the Company's management.

The Compensation Committee is responsible for, among others:

- discharging the Board of Directors' responsibilities relating to compensation of the Company's management;
- recommending levels of executive compensation that are competitive and motivating in order to attract, hold and inspire the CEO, senior management and other key employees and for recommending compensation for directors; and
- administering the Company's stock option plan.

The Compensation Committee reviews and makes recommendations to the Board of Directors regarding the granting of stock options as well as compensation for the management team and Board members, if any, from time to time.

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<sup>66</sup> Nick DeMare resigned as director of the Company on December 18, 2017



Management and the Board of Directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company. In addition to stock option grants, each director of the Company may be paid a fee per month in their capacity as a director.

The form and amount of such cash compensation will be evaluated by the Compensation Committee, which will be guided by the following goals:

- compensation should be commensurate with the time spent by executive officers and directors in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the Company; and
- the structure of the compensation should be simple, transparent and easy for shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

The Compensation Committee also performs any other duties or responsibilities delegated to them by the Board of Directors from time to time relating to the Company's compensation programs.

#### *Technical Committee*

The Technical Committee was established February 1, 2017. As of the fiscal year ended October, 31 2017 the Technical Committee was comprised of two directors, namely Blair Way and Mark Saxon. The Technical Committee is responsible for providing technical oversight and direction for various technical projects underway and planned for LEM.

## Management of the Company

The CEO of the Company is Blair Way. For more information about Blair Way see *Board of Directors, group management and auditor*.

The CEO manages the operations of the Company in accordance with the Applicable Canadian Requirements and the framework established by the Board of Directors. The CEO's role as well as the division of responsibility between Board of Directors and the CEO are based on the written guidelines adopted by the Board of Directors and provided to the CEO. The Board of Directors is to continuously evaluate the CEO and his/her effectiveness. In addition, in consultation with the chair of the Board of Directors, the CEO prepares the necessary information and supporting data for all board meetings, and normally reports on various matters of the Company. The CEO leads the Company's management team and makes decisions in consultation with the other members of management team.

In addition to Blair Way, management comprises of Nick DeMare, CFO. For more information about management of the Company see *Board of Directors, group management and auditor*.

## Summary of shareholder rights

Holders of Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Company and shall be entitled to one vote thereat for each Share held by them. Holders of Shares shall be entitled to receive dividends when, as and if declared thereon by the Board of Directors. In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, the holders of the Shares shall be entitled to proportionally receive the property and assets of the Company.

## SHARE CAPITAL AND OWNERSHIP STRUCTURE

### Share information

As of the date of this Company Description, Leading Edge Materials' share capital consists of an unlimited number of common shares without par value. The shares have been issued in accordance with Canadian regulations and are denominated in CAD. At the date of this Company Description, 88,704,180 of common shares are issued and outstanding. All issued shares have been fully paid for and are freely transferable. The ISIN code for the common shares is CA452171T1003. The Company's shares are traded on TSX Venture Exchange (Canada) since 19 June 2011 and the OTCQB (US) since September 2, 2016. The shares are also expected to be admitted to trading on First North (Sweden). Shares affiliated with Euroclear will be registered in Euroclear's securities depository system and no physical share certificates in Leading Edge Materials are or will be issued for such shares.

Leading Edge Material holds no treasury shares in the Company. At the time of the Listing of the Company's common shares on First North, there will be 6,152,500 outstanding stock options due to the Company's incentive program. The Company also has 7,736,740 outstanding warrants. Fully diluted, the total number of shares are 102,593,420 at the time of the Listing of the Company's common shares on First North. Other than provided above, there will be no outstanding convertibles or other equity-related financial instruments in the Company. For further information regarding the incentive program, please refer to section *Share-based incentive programs* below. The shares in Leading Edge Materials are not subject to offers submitted due to mandatory offers, redemption rights or sell-out obligations. No public takeover offer has been made for the shares in Leading Edge Materials during the current or proceeding financial year.

### Certain rights associated with the shares

#### *General meetings of shareholders and voting rights*

Notice of general meetings of shareholders is to be given no later than 60 days before the general meeting. The holders of common shares are entitled to one (1) vote per share. All voting shareholders are entitled to vote for the full numbers of shares without limitation.

#### *Preferential rights to new shares, etc.*

The articles of incorporation do not contain any pre-emption rights for the shareholders.

#### *Rights to dividends and distribution in the event of liquidation*

All shares carry equal rights to dividends and to any surplus in the event of liquidation.

### Dividends

#### *General*

The Company's shares entitle the holder to receive a dividend, provided a dividend is paid. Leading Edge Materials has not previously paid any dividend, and the Company will not pay dividend for the 2016/2017 financial year.

#### *Dividend*

Leading Edge Materials is in a phase where priority is put on exploiting the growth opportunities. As a result, shareholders should not expect to receive any, or very low, dividends the next few years. There are no guarantees during any given year that a dividend will be proposed or approved.

#### *Dividends according to Canadian regulations*

Under the CBCA, a corporation may pay dividend in money or property or by issuing fully paid shares of the corporation. A corporation shall not declare or pay a dividend if there are reasonable grounds for believing that:

- the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realizable value of the corporation's assets would thereby be less than aggregate of its liabilities and stated capital of all classes.

The decision to pay dividends is entirely at the board of director's discretion, save for the restrictions above. Accordingly, there are no fixed dividend dates, specific rates or method of calculation. There are also no dividend restrictions or time limits after which the dividend lapses. Please refer to section *Certain tax considerations* for information on withholding tax for non-Canadian residents.

## Changes in the share capital

The following table sets forth the changes in the share capital of Leading Edge Materials over the last two financial years (since Nov 1 2015).

Date	Transaction	Change in number of shares	Total number of shares	Price per share	Increase of share capital	Total share capital (CAD)
<b>31-Oct-15</b>	<b>Starting Balance</b>		<b>46,820,730</b>			<b>\$ 25,763,144</b>
08-Jun-16	Options exercised 0.10	145,000	46,965,730	\$ 0.10	\$ 14,500	\$ 25,777,644
25-Aug-16	TSM acquisition	33,070,948	80,036,678	\$ 0.50	\$ 16,535,474	\$ 42,313,118
<b>31-Oct-16</b>	<b>Year End Balance</b>		<b>80,036,678</b>			<b>\$ 42,313,118</b>
14-Dec-17	PP shares issued at 0.45	4,004,222	84,040,900	\$ 0.45	\$ 1,801,900	\$ 44,115,018
23-Jan-17	Options exercised 0.48	10,000	84,050,900	\$ 0.48	\$ 4,800	\$ 44,119,818
23-Jan-17	Options exercised 0.52	50,000	84,100,900	\$ 0.52	\$ 26,000	\$ 44,145,818
20-Feb-17	Options exercised 0.52	20,000	84,120,900	\$ 0.52	\$ 10,400	\$ 44,156,218
10-Mar-17	Options exercised 0.48	12,500	84,133,400	\$ 0.48	\$ 6,000	\$ 44,162,218
14-Mar-17	Options exercised 0.52	50,000	84,183,400	\$ 0.52	\$ 26,000	\$ 44,188,218
13-Apr-17	Options exercised at	100,000	84,283,400	\$ 0.39	\$ 39,000	\$ 44,227,218
03-May-17	PP shares issued at 0.55	3,636,364	87,919,764	\$ 0.55	\$ 2,000,000	\$ 46,227,218
08-May-17	Options exercised at	40,000	87,959,764	\$ 0.39	\$ 15,600	\$ 46,242,818
16-Jun-17	Options exercised at	175,385	88,135,149	\$ 0.39	\$ 68,400	\$ 46,311,218
30-Jun-17	Warrants exercised at	24,416	88,159,565	\$ 0.70	\$ 17,091	\$ 46,328,309
26-Jul-17	Options exercised at	24,615	88,184,180	\$ 0.39	\$ 9,600	\$ 46,337,909
26-Jul-17	Options exercised at	20,000	88,204,180	\$ 0.48	\$ 9,600	\$ 46,347,509
31-Jul-17	Share issue costs				-\$ 89,524	\$ 46,257,985
01-Jul-17	Transfer on exercise of options				\$ 160,994	\$ 46,418,979
31-Jul-17	<b>Balance as at 31 July 2017</b>		<b>88,204,180</b>			<b>\$ 46,418,979</b>
09-Aug-17	Options exercised at	100,000	88,304,180	\$ 0.39	\$ 39,000	\$ 46,457,979
19-Sep-17	Options exercised at	400,000	88,704,180	\$ 0.39	\$ 156,000	\$ 46,613,979
<b>11-Nov-17</b>	<b>Balance as at Nov 11 2017</b>		<b>88,704,180</b>			<b>\$46,613,979</b>

As at the time of this Company Description, the issued and outstanding share capital amounts to \$46,613,979 and is divided into 88,704,180 common shares.

## Ownership structure

The Company's stock is publicly traded on two different markets, and aiming for another one through First North. Consequently, share ownership of individuals changes regularly. Generally, under Canadian securities regulations holdings of persons representing ten % or more of the securities of a public company and holdings of such securities held by other insider of the Company must be disclosed. In addition, acquisition of 2 % or more of the issued and outstanding securities of a public company by holders of ten % or more of such securities also have to be disclosed. Moreover, based on publicity available information and/or provided by the relevant director or manager, the Company is aware of the share ownership balances of members of the Board of Directors and group management. Please refer to chapter *Board of Directors, group management and auditor* for further information. Apart from the holdings of each director and group manager, the Company is unable to identify the number of shares held by other shareholders

As at October 13, 2017, the top 10 registered shareholders of the Company based on the registered list of shareholders maintained by the Company's Registrar and Transfer Agent, Computershare Investor Services Inc., are shown in the table below:

Rank	Name	Number of Shares	% Ownership
1	CDS & Co	79,922,088	90.23
2	Floresta Trust (A/C 1074)	2,048,000	2.31
3	Maelir AB	1,500,000	1.69
4	Floresta Trust (A/C 200034)	1,190,273	1.34
5	DNG Capital Corp.	1,000,000	1.13
6	Cede & CO	851,632	0.96
7	Nick DeMare	654,209	0.74
8	Michael Hudson	400,000	0.45
9	Mark Saxon	142,500	0.16
10	Ironbark Enterprises Inc.	100,000	0.11
	Top Holder Balance	88,336,037	99.58
	Total Remaining Balance assuming 88,704,180 issued and outstanding	368,143	0.42
	<b>Total</b>	<b>88,704,180</b>	<b>100.00</b>

Note: The directors and officers of the Company are not aware of the beneficial ownership of the shares held in CDS & Co., nominee for the Canadian Depository for Securities Limited, Canada's central depository for securities. To the knowledge of the directors and officers of the Company, no person or company beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10 % of the voting rights attached to all outstanding shares of the Company as at the date hereof.

## Share-based incentive program

The Company maintains a rolling stock option plan, which makes a total of ten % of the issued and outstanding shares of the Company at any time available for issuance thereunder. The purpose of the option plan is to provide the Company with a share related mechanism to enable it to attract and retain qualified directors, officers, employees, management company employees and consultants, promote a proprietary interest in the Company and its affiliates among its employees, management company employees, officers, directors and consultants, and stimulate the active interest of such persons in the development and financial success of the Company and its affiliates. The option plan provides that it is solely within the discretion of the Board of Directors to determine which directors, officers, employees, management consultant employees and consultants should receive options and in what amounts. The options may have vesting provisions, as determined by the Board of Directors. Options may be granted for any term up to a maximum of ten years after the issuance of such options.

The policies of the TSX Venture Exchange require that the option plan be approved by the affirmative vote of a majority of the votes cast at the annual general meeting. Accordingly, the Company has on September 28, 2017 ratified an option plan. As at the date for this Company Description there are 6,607,500 stock options outstanding, leaving 2,222,918 common shares available for grant of further options under the option plan.

For further information regarding securities granted or issued by the Company to each director and group management of the Company for the financial year ended October 31, 2016 for services provided or to be provided, directly or indirectly, to the Company or any of its Subsidiaries, please refer to chapter *Board of Directors, group management and auditor*.

## Listing on Nasdaq First North

The Board of Directors of Leading Edge Materials has applied to list the Company's common shares on First North. Nasdaq Stockholm AB resolved on December 18, 2017 to admit Leading Edge Materials common shares to trading on Nasdaq First North subject to customary conditions, which include that the First North requirements for the Company's shares be met by the listing date at the latest. Trading is scheduled to begin as of December 21, 2017.

## Central securities depository

The Company's shares traded on First North are connected to the electronic securities system with Euroclear as the central securities depository (Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden).

## Shareholder's agreement

As far as the Board of Directors of Leading Edge Materials is aware, there are no shareholder agreements or arrangements between Leading Edge Materials' shareholders pertaining to joint control over the Company. As far as the Board of Directors of Leading Edge Materials is aware, nor are there any agreements or the equivalent that could lead to a change in control over the Company.

## LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

### Legal group structure

Leading Edge Materials was incorporated under the **BCBCA**, and registered with the British Columbia Registrar of Companies, incorporation number BC0893900, on October 27, 2010 under the name Tasex Capital Limited. The Company then changed its name to Flinders Resources Limited on February 22, 2012 and Leading Edge Materials Corp. on August 25, 2016. The Company's form of association is regulated by and its shares have been issued in accordance with, the BCBCA.

The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, Canada.

The objective of the company's operations is to, directly or through wholly owned subsidiaries, engage in the supply of specialty materials to the energy storage. The Company registered with Euroclear on December 12, 2017. As of the date of this Company Description, the Company is the parent company of five subsidiaries of which three subsidiaries are operational.

Group structure	Country	Proportion of shares & votes
<b>Leading Edge Materials Corp.</b>	<b>CA (BC)</b>	
Flinders Holdings Limited	CA (BC)	100 %
Woxna Graphite AB	SE	100 %
Tasman Metals Ltd.	CA (BC)	100 %
Tasman Metals AB	SE	100 %
ACP Akku Oy	FI	100 %

### Material company and business acquisitions

#### *Acquisitions agreements*

On August 25, 2016 the Company completed a statutory plan of arrangement (the "Arrangement") and acquired all of the issued and outstanding common shares of Tasman Metals Ltd. ("Tasman"), under which the Company issued 33,070,948 common shares with a fair value of \$16,535,474. The Company also granted 520,000 share options, exercisable at prices ranging from \$0.48 - \$2.94 per share, 147,953 compensation options exercisable at \$2.20 per share and 2,467,716 warrants, exercisable at \$3.00 per share, in exchange for Tasman share options, compensation options and warrants. The fair values of the share options, compensation options and warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.51% to 0.56%; estimated volatility of 97% to 108%; expected lives of 0.02 year to 2.25 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%. The values assigned to the options, compensation options and warrants were \$91,599, \$1,162 and \$6,473, respectively.

### Environmental issues

The Company works actively to continuously reduce the Group's direct and indirect environmental impact. An eco-cycle approach and economic use of natural resources are key points for the Group's business operations and an environmental perspective is to be included in key decisions in order to create long-term value for the Company's customers, employees, shareholders and society in general. Environmental efforts are to be conducted within the framework of the Company's business concept and be an integrated part of its operational activities. This includes, by extension that consideration is to be given to the entire life cycle of the raw materials that the Company provides.

The Company aims for a holistic approach to environmental issues by means of improving internal awareness of the environmental effects of its operations. The Company's objective is to implement environmental measures insofar as they are technically feasible, economically viable and environmentally justified.

The Company aims to always be informed and follow the current legislations on permits, licenses and reporting obligations in accordance with the relevant regulations on the markets where the Company operates.

## Permits

Mining and operations associated with mining of ore, mineral and coal require permits in accordance with both the Minerals Act and the Environmental Code. The relevant permits are: exploration permit; exploitation concession; permit for environmentally hazardous activities; and permit for water operations. The operations also require the right of access to land and it may also require permits in accordance with other legislations.

An exploration permit is issued for a period of three years, after which the applicant may apply for an extension. Under certain conditions, the total prospecting period after applying for extensions can amount to a total prospecting period of 15 years. Stricter requirements apply for each extension period. Among other things, it must be demonstrated that prospecting has actually occurred. An exploitation concession is normally given for 25 years.

At present, the Company has permission to mine at one site, the so-called Kringelgruvan. However, the permits are originally from 1992 and with old permits, there is always a risk involved because of the stricter environmental requirements that apply today. As more than ten years has passed since the environmental permits were issued at Kringelgruvan, the authorities may apply for a reconsideration of the permits or the conditions of the permits. At Kringelgruvan, the Company also has right of access to land. At the other areas where the Company conducts business the Company either holds an exploration permit or, at some sites, both an exploration permit and an exploitation concession. This means that actual mining is not allowed at the date of this Company Description. Therefore, exploitation concessions and permits for environmentally hazardous activities (mining) and water operations are necessary at a number of sites, if future mining activities are to be conducted. Right of access to land must also be obtained for any future mining operations at all sites, except Kringelgruvan that already has the necessary licenses. The large number of permissions that regulates the Company's operations at the different areas, except Kringelgruvan, are expiring at diverse times during year 2017-2020, 2025 and in one case in year 2041. The exploration permits are still valid after they have expired if the holder of an exploration permit has applied for an extended permit within the specified time of the permit or, within the same period, has applied for an exploitation concession. Hence, it is very important that the Company constantly ensures that applications for renewal of permits are submitted in a timely manner.

In addition to what is stated above, the Company believes that the Group has all of the permits required to conduct its operations.

## Disputes

On August 31, 2015, Tasman applied for a two-year extension of their Exploration License (EL) for Norra Kärr, which was granted by the Swedish Mines Inspectorate. Subsequently, the renewal of the EL was appealed to the Administrative Court in Falun. The Company was advised in late August 2016 that the appeal was upheld by the Administrative Court, which determined that the Mines Inspectorate was incorrect in granting the renewal to Tasman. The Company appealed this decision, and in February 2017, the Company was advised that its appeal was upheld and the EL was reinstated. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property if future admissions for extensions of their EL are appealed.

In addition, the Company has not been subject to any legal proceedings or arbitrations during the last 12 months that have had or could have had material effects on the Company's financial position or profitability.

## Insurance

The Company believes that its insurance policies are on a par with other companies in the same industry and that they are adequate with regard to the risks normally associated with the Company's operations. However, there is a risk that the Company can be affected by losses that are not covered by its insurance policies.

## Transactions with related parties

The Company does not retain an external management company to provide executive management services. However, Nick DeMare, the CFO of the Company is not employed by the Company. Nick DeMare provides his services to the Company through Chase Management Ltd, a private company controlled by Nick DeMare.

## Costs

The Company's total costs for the Listing are estimated to amount to approximately SEK 2 million. Such costs are primarily attributable to financial advisory services, auditors, legal advisory services, etc.

## Auditors' review

Besides the Company's combined financial statements for the financial year October 31, 2016, no information in the Company Description has been reviewed or audited by the Company's auditor.

## Interests of advisors

Remium is serving as financial advisor to Leading Edge Materials in conjunction with the Listing. Remium receives predetermined remuneration for services provided in conjunction with the Listing. Remium has no economic interest or other interests in the Listing. Remium has provided, or may in future provide, various services of a financial, investment, commercial and other nature to Leading Edge Materials for which Remium has received, or may receive, remuneration.

## Potential authority decisions with negative impact

In addition to that stated by this Company Description, Leading Edge Materials has no knowledge of any public, financial, tax policy, monetary policy or other policy measures that, directly or indirectly, materially impacted or could materially impact the Company's operations.



## CERTAIN TAX CONSIDERATIONS

*The following is a general summary of certain Swedish tax considerations that may arise as a result of holding shares in the Company for shareholders with unlimited tax liabilities in Sweden, unless otherwise stated. The summary is based on current legislation and is only intended to provide general information. The summary is based on the assumption that the shares in the Company are regarded as market-listed for tax purposes, which is the case if trading in the shares on First North takes place to a sufficient extent.*

*The following summary does not address the specific regulations that in certain cases may be applicable to holdings in companies that are or have been closely held companies or to shares that have been acquired with the support of so-called qualified shares in closely held companies. Nor does the summary address shares deposited in a so-called investment savings account (Sw. investeringssparkonto) or endowment insurance (Sw. kapitalförsäkring), which are encompassed by specific regulations regarding standard taxation. The summary also does not address shares held by a general or limited partnership. Special rules, which are not discussed below, also apply to specific categories of tax-liable entities (such as investment funds, investment companies and insurance companies).*

*The following summary is not applicable to shareholders who have ever been resident or deemed to be resident in Canada for Canadian tax purposes, who use or hold shares in the Company in a business carried on in Canada, or who have carried on business or maintained a permanent establishment in Canada or performed independent personal services in Canada from a fixed base situated in Canada, each as defined in the Canada – Sweden Tax Treaty. This summary is also not applicable to insurers that carry on business in Canada and elsewhere, or to an authorized foreign bank as defined in the Income Tax Act (Canada) (the “**Canadian Tax Act**”).*

*In addition, the following summary does not apply to a shareholder (a) that is a “financial institution” for purposes of the mark-to-market rules contained in the Canadian Tax Act; (b) an interest in which is or would constitute a “tax shelter investment” as defined in the Canadian Tax Act; (c) that is a “specified financial institution” as defined in the Canadian Tax Act; (d) that is a corporation that does not deal at arm’s length for purposes of the Canadian Tax Act with a corporation resident in Canada, and that is or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of shares in the Company, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in Section 212.3 of the Canadian Tax Act; (e) that is exempt from tax under the Canadian Tax Act; or (f) that has entered into, or will enter into, a “synthetic disposition arrangement” or a “derivative forward agreement” with respect to the shares in the Company, as those terms are defined in the Canadian Tax Act.*

*The fiscal and tax treatment of each individual shareholder depends partly on the shareholder’s particular circumstances. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular shareholder. Each shareholder should therefore consult a tax advisor with regard to the personally applicable tax consequences that may arise, including the applicability and effect of foreign rules and tax treaties*

### Individuals

#### *Capital gains taxation*

When listed shares (such as the shares in the Company) or other securities are sold or otherwise divested, a taxable capital gain or deductible capital loss may arise that is taxed in Sweden in the income class of capital at a tax rate of 30 %. The capital gain or loss is normally calculated as the difference between the sales compensation, less selling costs, and the acquisition cost. The acquisition cost for all securities of the same class and type is calculated jointly using the average method (Sw. *genomsnittsmetoden*).

For listed shares, such as the shares in the Company, the acquisition cost for Swedish tax purposes may alternatively be set according to the standardized method (Sw. *schablonmetoden*) at 20 % of the sales compensation less selling expenses. In Sweden, capital losses on listed shares are fully deductible against taxable capital gains on shares and other listed securities, except for shares in mutual funds or special funds, which only contain Swedish receivable claims, so-called fixed income funds. A capital loss in excess of the above-mentioned gains is deductible with 70 % against any other taxable income from capital. If a deficit arises in the income class of capital, a tax reduction of the tax on income from employment and business, as well as real estate is allowed in Sweden. A tax reduction is allowed by 30 % of the part of the deficit that does not exceed SEK 100,000 and 21 % of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

A shareholder who at all times deals at arm’s length with the Company, who is the beneficial owner of shares in the Company, who is not affiliated with the Company, who acquires and holds shares in the Company as capital property for

purposes of the Canadian Tax Act, and who is a resident of Sweden for purposes of the Canada – Sweden Tax Treaty (a “**Swedish Shareholder**”) will not be subject to tax under the Canadian Tax Act on a disposition of shares in the Company, unless the shares constitute “taxable Canadian property” (as defined in the Canadian Tax Act) of the Swedish Shareholder at the time of the disposition and are not “treaty-protected property” (as defined in the Canadian Tax Act) of the Swedish Shareholder at that time.

Even if the shares of the Company are taxable Canadian property to a Swedish Shareholder, those shares will generally constitute “treaty-protected property” for purposes of the Canadian Tax Act by virtue of the Canada – Sweden Tax Treaty if the shares are listed on an approved stock exchange in Canada at the relevant time.

## Tax on dividends

In general, dividends, if any, on shares are taxed in Sweden at a rate of 30 % as income from capital for individuals.

Subject to an applicable tax treaty, dividends paid or credited, or deemed to be paid or credited, to a Swedish Shareholder who is an individual on shares of the Company will be subject to Canadian withholding tax at the rate of 25 % of the gross amount of the dividend. That rate is generally reduced under the Canada – Sweden Tax Treaty to 15 % if the beneficial owner of such dividend is a Swedish Shareholder. The Company is required to remit the tax deducted or withheld from such a dividend to the Canada Revenue Agency on behalf of the Swedish Shareholder.

The preliminary tax is withheld by Euroclear Sweden or, regarding nominee registered shares, by the nominee.

Since a dividend paid by the Company to a Swedish Shareholder is generally taxable in both Sweden and Canada, the potential for double taxation may arise (please refer to the section *Canadian withholding tax* below regarding the extent to which a tax credit may be allowed for Swedish tax purposes).

If the Canadian withholding tax on a dividend paid by the Company should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years for Swedish tax purposes. Alternatively, the Canadian withholding tax may be deducted for Swedish tax purposes as a cost for the recipient.

## Limited liability companies

### *Capital gains*

Swedish limited liability companies are taxed in Sweden on all income as income from business activities at a flat rate of 22 %. Regarding the calculation of a capital gain or loss and the acquisition cost, please refer to section *Individuals* above.

In Sweden, a capital loss on shares incurred by a corporate shareholder may be offset only against gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions (the Swedish system on tax consolidation) are met. Capital losses on shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward in Sweden and be offset against similar capital gains in future years without any limitation in time.

Under the participation exemption regime, capital gains on listed shares in limited liability companies, including foreign equivalents, are tax-exempt in Sweden if certain requirements are met (and capital losses on such shares are non-deductible). One of the requirements is that the holding represents at least 10 % of the voting rights of all shares. An exemption may also, in special cases, be available provided the holdings is conditioned by the shareholder’s (or affiliated company’s) business. Capital gains on listed shares are only tax-exempt if they are held not less than one year from the day any of the above holding requirements were met.

A Swedish Shareholder will not be subject to tax under the Canadian Tax Act on a disposition of shares in the Company unless the shares constitute “taxable Canadian property” (as defined in the Canadian Tax Act) of the Swedish Shareholder at the time of the disposition and are not “treaty-protected property” (as defined in the Canadian Tax Act) of the Swedish Shareholder at that time. Please refer to the section *Individuals - Capital gains* above for a discussion of whether the shares of the Company will constitute taxable Canadian property or “treaty-protected property”.

### *Dividend taxation*

In general, dividends, if any, on shares to limited liability companies are taxed in Sweden at a rate of 22 % as ordinary income from business activities.

Subject to an applicable tax treaty, dividends paid or credited, or deemed to be paid or credited, to a Swedish Shareholder on shares of the Company will be subject to Canadian withholding tax at the rate of 25 % of the gross amount of the

dividend. That rate is generally reduced under the Canada – Sweden Tax Treaty to 15 % if the beneficial owner of such dividend is a Swedish Shareholder. The rate of withholding tax is further reduced to 5 % if the beneficial owner of such dividend is a Swedish Shareholder that is a company that controls directly at least 10 % of the voting power, or that holds directly at least 25 % of the capital, in the Company. The Company is required to remit the tax deducted or withheld from such a dividend to the Canada Revenue Agency on behalf of the Swedish Shareholder.

The participation exemption regime in Sweden is also applicable on dividends. Therefore, dividends are tax exempt if the requirements for the regime are met (see above). The dividend is only tax exempt if the holding requirement continues to be met not less than one year.

The preliminary tax is withheld by Euroclear Sweden or, regarding nominee registered shares, by the nominee.

Since a dividend paid by the Company to a Swedish Shareholder is generally taxable in both Sweden and Canada, the potential for double taxation may arise (please refer to the section *Canadian withholding tax* below regarding the extent to which a tax credit may be allowed for Swedish tax purposes, however, a Swedish tax credit is not granted if the dividend income is tax exempt under the participation exemption regime).

If the Canadian withholding tax on a dividend paid by the Company should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years for Swedish tax purposes. Alternatively, the Canadian withholding tax may be deducted for Swedish tax purposes as a cost for the recipient.

#### *Certain tax considerations for shareholders who are not tax resident in Sweden*

Individual shareholders who are not resident or domiciled in Sweden for Swedish tax purposes are generally not subject to tax in Sweden for capital gains realized upon the sale or other disposal of shares. Shareholders may, however, be subject to taxation in their country of domicile and elsewhere. If shares are attributable to a permanent establishment in Sweden, the rules concerning tax-exempt dividends and capital gains described above are applicable with certain limitations.

Under a domestic Swedish tax provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon a sale or other disposal of shares in non-Swedish corporate entities if the shares were acquired during their tax residency in Sweden if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years preceding the year of disposal. The applicability of this provision may however be limited by an applicable tax treaty between Sweden and other countries.

Foreign legal entities are not liable to Swedish tax on dividends or capital gains upon a sale or other disposal of shares, provided that the shares are not attributable to a permanent establishment in Sweden.

#### *Canadian withholding tax*

As discussed in the sections on *Dividend taxation* above, dividends paid or credited, or deemed to be paid or credited, to a Swedish Shareholder on shares of the Company will be subject to Canadian withholding tax. Unless the dividend is tax-free for the Swedish Shareholder for Swedish tax purposes, the Canadian withholding tax can generally be credited against Swedish income tax and real estate tax. In order to benefit from the tax credit, legal entities must apply for a tax credit from the Swedish Tax Agency. Individuals will automatically benefit from the tax credit, since the Swedish preliminary tax withheld will be limited to 15 % to reach the normal 30 %.

## CERTAIN DIFFERENCES IN CANADIAN AND SWEDISH LEGISLATION

*The following is a summary of the rights of shareholders in Leading Edge Materials based upon the BCBCA, the regulations promulgated thereunder and the Company's articles of incorporation. It also sets out certain differences between British Columbian corporate law and Canadian corporate governance principles compared to Swedish corporate law (in those parts applicable on companies whose shares are subject to trading on First North) and Swedish corporate governance principles. As noted in the section Corporate Governance, the Company is not required to follow, nor does the Company intend to follow the Swedish Corporate Governance Code. This summary is of a general nature only. It is not an exhaustive account of the aforementioned corporate documents. It is neither an exhaustive review of the aforementioned corporate documents nor of all potentially relevant differences between Canadian and Swedish law or corporate governance requirements, material or not.*

### The business of Leading Edge Materials

#### CANADA

Under the BCBCA, a company's articles of incorporation must set out every restriction, if any, on the business that may be carried on by the company and the powers that the company may exercise. The Company's articles of incorporation do not restrict the business that the Company can carry on, nor the power that the Company may exercise.

#### SWEDEN

Under the Swedish Companies Act, the objectives of a Swedish company must be set out in the articles of association. The objectives set out the limits, which the company can operate within and they must be specified with some precision e.g. by being linked to a particular industry.

### Shares

#### CANADA

The capital structure of the Company is composed of an unlimited number of common shares without par value. The shares must be issued in accordance with the BCBCA.

#### SWEDEN

Under the Swedish Companies Act, the general rule is that all shares shall carry equal rights in the company. A company may issue different classes of shares only if such share classes are specified in the company's articles of association. The articles of association shall also contain limitations on the minimum and maximum number of shares of each share class.

### Voting rights

#### CANADA

Under the BCBCA, a company is required to prepare a list of registered shareholders and each registered shareholder on the list is entitled to one (1) vote in respect of each share held by that shareholder. Unless the articles of incorporation provide otherwise, a registered shareholder can either attend a shareholders' meeting and vote in person or appoint someone else to vote for his or her shares, a "proxy holder". A shareholder appoints a proxy holder to attend and act on the shareholder's behalf at a shareholders' meeting by giving the proxy holder a completed and executed form of proxy. A proxy holder is required to vote for the shares in accordance with the shareholder's instructions, or may be provided authority by the shareholder to vote at the proxy holder's discretion.

Many shareholders are "non-registered" shareholders since the shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or trust company through which they purchased the shares. The intermediary cannot vote the shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner requests and provides an intermediary with appropriate documentation, the intermediary must appoint the beneficial owner or nominee of the beneficial owner as proxy holder.

Instead of attending a meeting in person, a shareholder can participate electronically. Unless the articles of incorporation otherwise provide, any vote may be held entirely by means of a telephone or other communications medium if all shareholders and proxy holders participating in the meeting, whether by telephone, by other communications medium or in person, are able to communicate with each other.

### SWEDEN

Under the Swedish Companies Act, all shares carry one (1) vote unless different share classes with different voting rights are provided for in the articles of association of the company. No share may however have a voting right which exceeds ten times the voting rights of any other share. A shareholder may vote all the shares owned or represented by him, unless otherwise stated in the articles of association.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote (in person or by appointing a proxy holder). For CSD companies, the right to participate at general meetings shall instead vest in any person who is listed as a shareholder in a printout or other presentation of the share register. Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. The share register is kept by Euroclear and the record date for a general meeting shall be the fifth business day prior to the date of the meeting. Shareholders must also, if provided for in the articles of association, give notice of their intention to attend a shareholders' meeting.

## Shareholders' meeting

### CANADA

Under the BCBCA, companies are required to hold an annual shareholders' meeting at least once in each calendar year and not more than fifteen months after the last preceding annual meeting. Meetings of shareholders must be held in British Columbia except when: (a) the location for the meeting is provided for in the articles of incorporation; (b) the articles of incorporation do not restrict the company from approving a location outside of British Columbia and such location is approved by a resolution; or (c) the location for the meeting is approved in writing by the provincially appointed Registrar of Companies before the meeting is held.

Shareholders' meeting may be called by a company's board of directors at any time or by a court upon the application of the company, a director or a shareholder. The holders of not less than five % of the issued voting shares may also requisition the directors to call a shareholders' meeting for the purposes stated in the requisition to be held within four months after the date on which the requisition is received by the company, and if the directors fail to send notice of a general meeting within 21 days, any requisitioning shareholders, or any one or more of them holding, in the aggregate, more than 2.5 % of the issued voting shares of the company may send notice of a general meeting to be held to transact the business stated in the requisition.

Under the BCBCA, shareholder action without a meeting may be taken by written resolution signed by shareholders who would be entitled to vote thereon at a meeting and who, in the aggregate, hold shares carrying at least a special majority of the votes entitled to be cast on such shareholder action.

### SWEDEN

Under the Swedish Companies Act, the board of directors is responsible for convening general meetings but holders of not less than ten % of all shares in the company may request that an extraordinary general meeting is convened. If so requested, the board of directors has two weeks to issue a notice to convene the general meeting failing which the shareholder can request that the Companies Registration Office convene the meeting. General meetings shall be held in the municipality in which the board of directors holds its registered office or in another municipality in Sweden if specified in the articles of association.

The general meeting shall be opened by the chairman of the board of directors or such person as the board of directors has decided. The chairman of the general meeting shall be nominated by the nomination committee and elected by the general meeting.

## Notice to attend shareholders' meeting

### CANADA

At least 21 days prior to the meeting date, the company is required to mail a notice of the date, time and location of a general meeting and a management proxy solicitation information circular to all registered shareholders and the beneficial owners who have requested to receive a copy and who holds shares as at the record date.

### SWEDEN

Notice to attend an ordinary general meeting shall be issued not earlier than six weeks and not later than four weeks prior to the general meeting. The articles of association may prescribe that notice to attend an ordinary general meeting may be issued later four weeks prior to the general meeting. Despite the above, this provision does not apply to public companies.

A notice to attend an extraordinary general meeting of which the issue of alterations of the articles of association is to be addressed shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. The articles of association may prescribe that notice to attend such a general meeting as referred to in the first paragraph may be issued later than the time stated therein, however, not later than two weeks prior to the meeting. This provision shall not apply to public companies. Notice to attend an extraordinary general meeting other than alterations of the articles of association shall be issued not earlier than six weeks and not later than two weeks prior to the meeting. The notice shall be announced in a press release, published in the Swedish Official Gazette and on the company's website. The company must also publish in a daily newspaper with nationwide circulation a short form message containing information regarding the notice and where it can be found. The notice shall include an agenda listing each item that the meeting is to resolve upon.

Pursuant to MAR a company shall, as soon as the time and venue of a general meeting have been decided publish such information on the company's website. With respect to annual general meetings, such publication shall be made no later than in conjunction with the third quarterly report.

## Record date

### CANADA

In Canada, the record date is the cut-off date established by a company to determine which shareholders are entitled to, among other things: (i) receive payment of a dividend; (ii) participate in a liquidation distribution; (iii) receive notice of a shareholders' meeting; or (iv) vote at a shareholders' meeting. The directors may set the record date, which must be a date that is at least two months before the date on which such action or meeting, as applicable, is to take place. In relation to notice of meetings and voting rights, if the directors do not set a date, the record date is deemed to be the close of business on the day before the day the notice is sent. In all other cases if the directors do not set a date, the record date is the day the directors pass the resolution relating to the matter for which the record date is required.

The record date for a shareholders' meeting is set by the board of directors. The Company is required to file on SEDAR67 a notice of record date and meeting date at least 25 days before the record date for the meeting. The record date must not precede the date on which the meeting is to be held by more than two months, or in the case of a general meeting requisitioned under the BCBCA, by more than four months. The record date must not precede the date on which the meeting is held by fewer than 21 days.

### SWEDEN

Under the Swedish Companies Act the record date is the cut-off date established by a company to determine which shareholders are entitled to, among other things: (i) receive new shares in the event of bonus issues; (ii) receive subscription rights in conjunction with new issues of shares or issues of warrants or convertible instruments; (iii) receive dividends; (iv) receive payment in connection with a reduction of the share capital for repayment to the shareholders; and (v) receive payment in connection with a distribution of assets in the event of the company's liquidation.

The record date for a shareholders' meeting is the fifth business day (i.e. not a holiday) prior to the date of the meeting.

## Issue of shares

### CANADA

Under the TSX Venture Exchange policies, shareholder approval is generally required for transactions: (i) which results in the creation of a new control person of a company; (ii) the number of securities issued or issuable to non-arm's length parties as a group, as payment for the purchase price for an acquisition, exceeds ten % of the number of securities of the issuer which are outstanding on a non-diluted basis, prior to the closing date of the transaction; and (iii) which constitute reverse takeovers or changes of business of a company.

Under the BCBCA:

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<sup>67</sup> SEDAR is a Canadian electronic filing system that allows listed companies to report their securities related information for regulatory purposes and investors to follow the securities development.

- a) subject to the articles of incorporation, shares may be issued at such times and to such persons and for such consideration as the directors may determine;
- b) shares issued by the company are non-assessable, and the holders are not liable to the company or to its creditors in respect thereof; and
- c) a share shall not be issued until the consideration for the share is fully paid in money or in property or past services performed by the company and the value of the consideration received by the company for such share must equal or exceed the issue price set for the share.

#### SWEDEN

Under the Swedish Companies Act, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for a period no longer than until the next annual general meeting. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' approval at a general meeting. New shares may be issued against payment in cash, in kind or by set-off.

When issuing new shares the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles.

## Pre-emption right

#### CANADA

The Company's articles of incorporation do not contain any pre-emption right.

#### SWEDEN

Under the Swedish Companies Act, shareholders have pre-emption right to subscribe for new shares issued in proportion to their shareholdings as of a certain record date for the new share issue. Pre-emption right to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The pre-emption right to subscribe for new shares may also be set aside by a resolution passed by two thirds of the votes cast and shares represented at the general meeting resolving upon the issue. The corresponding majority threshold applies to a decision by a general meeting to authorize the board of directors to decide upon new share issues with deviation from shareholders' pre-emption right.

## Dividend

#### CANADA

Under the BCBCA, a company may declare a dividend and pay such dividend, whether out of profits, capital or otherwise, by issuing shares or warrants of the company by way of dividend and in property, including in money. A company may not declare or pay a dividend if there are reasonable grounds for believing that: (a) the company is insolvent; or (b) the payment of the dividend would render the company insolvent.

#### SWEDEN

Under the Swedish Companies Act, payments of dividends require a resolution at a general shareholders' meeting. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors. Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's need for consolidation and liquidity as well as the company's financial position in general. Each shareholder appearing in the share register as of the record date for the dividend is entitled to receive dividend. Dividend are normally distributed to the shareholders through Euroclear.

## Distribution of assets in case of liquidation

#### CANADA

Under the BCBCA, a company may liquidate if: (a) it has been authorized to do so by a special resolution; (b) it has no assets; and (c) has made adequate provision for the payment of each of its liabilities, if any. In addition, a shareholder, a beneficial owner of a share, a director or any other person, including a creditor of the company whom the court considers appropriate, may apply to court for an order that the company be liquidated and dissolved if an event occurs on the occurrence of which the articles of incorporation of the company provide that the company is to be liquidated and dissolved, or if the court otherwise considers it just and equitable to do so.



After the final accounts have been approved by the liquidator and, in the case of a voluntary liquidation ordered by the court, the liquidator will distribute any remaining property of the company, after the discharge of its obligations, among the shareholders, according to their respective rights.

#### SWEDEN

The Swedish Companies Act stipulates that a company shall enter into compulsory liquidation in a capital deficiency situation and in certain other situations, such as a decision by the Swedish Companies Registration Office or a provision of the articles of association.

Under the Swedish Companies Act, a company can enter into voluntary liquidation following a resolution by simple majority vote among the shareholders at a general meeting, unless otherwise prescribed in the articles of association. All shares carry equal rights in a liquidation unless otherwise provided for in the articles of association.

## Certain extraordinary corporate actions

#### CANADA

Under the BCBCA, certain extraordinary corporate actions, such as certain mergers, continuances, and sales, leases or exchanges of all or substantially all of the property of a company other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by special resolution. A special resolution is a resolution passed at a meeting by not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution or a resolution signed by all of the shareholders entitled to vote on that resolution. In certain cases, a special resolution to approve an extraordinary corporate action is required to be approved separately by the holders of each separate class or series of shares.

#### SWEDEN

Under the Swedish Companies Act, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the type of companies involved, however not less than two-thirds of the votes cast and the shares represented at the meeting. A voluntary liquidation requires a resolution passed at a shareholders meeting supported by more than half of the votes cast, unless otherwise provided in the articles of association of the company. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association, see section *Amendment to the articles* below.

## Restrictions on change of control

#### CANADA

The Company does not have any shareholder rights plans<sup>68</sup> in effect.

#### SWEDEN

Restrictions on change of control are not a subject of Swedish law.

## Mandatory takeover bids

#### CANADA

Canadian securities law contains procedural requirements for takeover bids and going-private transactions. In addition, the BCBCA provides that in certain circumstances a security holder or security holders who, in the aggregate, hold more than ninety % of the shares of any class of shares is entitled to compel the acquisition of the shares held by remaining shareholders.

If the acquiring company decides to proceed by way of takeover bid but fails to acquire the requisite ninety %age of the shares to permit a company acquisition of the minority, the company may elect to squeeze out the minority through another corporate process, such as by plan of arrangement or by merger.

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<sup>68</sup> A "shareholder rights plan" is when the board of directors adopts a defensive strategy to avoid being the target of a hostile takeover by a larger firm.

### SWEDEN

According to the Swedish Takeover Act there is an obligation for companies with shares listed on a regulated market to launch a mandatory takeover bid when a party becomes the owner of 30 % or more of the votes. Since the proposed market First North does not constitute a regulated market, the rule will not apply to Leading Edge Materials.

However, the Swedish Corporate Governance Code on public takeover offers are applicable when someone makes a public takeover offer to holders of shares issued by an issuer, which following the application by that issuer, are traded on a MTF, such as First North. The Company does not intend to follow the Swedish Corporate Governance Code. However, an issuer who has financial instruments traded on First North must comply with generally acceptable behavior in the Swedish securities market. Generally acceptable behavior is defined as the actual standard practice in the stock market for the behavior of listed companies. Such standard practice could, for example, gain expression in the comments issued by the Swedish Securities Council, recommendations from the Swedish Financial Reporting Board and the Swedish Corporate Governance Code.

Under the Swedish Companies Act, a shareholder holding more than 90 per cent of the shares in a company is entitled, on a compulsory basis, to buy-out the remaining shares from the other shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases his or her shares.

## Redemption provisions

### CANADA

Under the BCBCA, a company may redeem, on the terms and in the manner provided in its articles of incorporation, any of its shares that has a right of redemption attached to it, purchase any of its shares or otherwise acquire any of its shares. However, a company must not redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that the company is insolvent or making the payment or providing the consideration would render the company insolvent.

Any redemption of shares must comply with the issuer bid rules imposed under Canadian securities laws.

A listed company can file a notice of intention to make a normal course issuer bid with the TSX Venture Exchange seeking approval for the company to purchase by normal market purchases up to two % of a class of its own shares in a given 30-day period up to a maximum of a 12 month period of the greater of: (a) ten % of the public float on the date of acceptance of the notice of the normal course issuer bid by the TSX Venture Exchange; or (b) five % of such class of securities issued and outstanding on the date of acceptance.

### SWEDEN

A company listed on First North is not permitted to redeem their shares as such rights are limited to companies listed on a regulated market.

## Amendments to the articles

### CANADA

Under the BCBCA, any amendment to the articles of incorporation generally requires approval by special resolution, which is a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders on the meeting who voted in respect of that resolution or a resolution signed by all of the shareholders entitled to vote on that resolution.

### SWEDEN

Under the Swedish Companies Act, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration. However, not less than two-thirds of the votes cast and of the shares represented at the meeting will be required. Any amendment to the articles will have to be registered with the Swedish Companies Registration Office.

## The board of directors

### CANADA

Under the BCBCA, a public company must have no fewer than three directors. There are no Canadian residency requirements. The directors are elected at the annual meeting of the company's shareholders for a term expiring at the end of the next annual meeting. Under the BCBCA, the directors may also, if the articles of incorporation so provide, appoint one or more additional directors, who shall also hold office for a term expiring at the end of the next annual meeting, provided that the total number of directors so elected shall not exceed one third of the number of directors elected at the

previous annual meeting. Any casual vacancy occurring in the board of directors may be filled by the directors without previous resolution.

#### SWEDEN

Under the Swedish Companies Act, a public company must have no fewer than three directors. At least 50 % of the board of directors and 50 % of the deputy board of directors should be residing within the EEA. However, this requirement can be waived if an application for exemption is filed at, and granted by, the Swedish Companies Registration Office. When the Swedish Companies Registration Office assess whether or not there are special reasons to grant an exemption, they make an overall assessment of all relevant circumstances.

## Right to indemnification

#### CANADA

Under the BCBCA, a company may indemnify a current or former director or officer, a current or former director or officer of another company at the request of the company or at a time when the company is or was an affiliate of the company, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding to which he or she is made a party by reason of being a director or officer, or former director or officer, of such company or such body corporate, if: (a) he or she acted honestly and in good faith with a view to the best interests of such company or associated company; and (b) in the case of a proceeding that is not a civil proceeding, if he or she had reasonable grounds for believing that the conduct was lawful.

#### SWEDEN

The Swedish Companies Act does not contain any specific provisions requiring that the articles of association provide for indemnification of directors, officers or other persons. Instead, Swedish companies can have professional indemnity insurance in place for its board of directors and officers.

The annual general shareholders' meeting shall resolve on the discharge of the board of directors of and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a founder, director, managing director, auditor or shareholder of the company. Such an action may be instituted where at a general shareholders' meeting the majority or a minority comprising the owners of at least one-tenth of all shares has supported the proposal for such an action to be instituted. The action for damages in favor of a company may also be conducted by owners (in their own name) of at least one-tenth of all shares.

## Financial statements, auditor's report, auditor and audit committee

#### CANADA

Under the BCBCA, the directors of the Company must place before the shareholders at every annual meeting: (a) comparative financial statements as prescribed relating separately to the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and the immediately preceding financial year; and (b) the report of the auditor, if any.

TSX Venture Exchange issuers are required to prepare and file on SEDAR its annual audited financial statements and annual management discussion and analysis along with the report of the auditor, if any, within 120 days of its financial year-end. Issuers are required to prepare and file on SEDAR its quarterly financial statements and interim management discussion and analysis within 60 days of the end of the first, second and third financial quarter.

The audit committee is appointed by the board of directors pursuant to provisions of the BCBCA. The primary responsibility for the company's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the board of directors.

The audit committee is a standing committee of the board of directors established to assist it in fulfilling its responsibilities in this regard. The audit committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

#### *SWEDEN*

Under the Swedish Companies Act, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it makes decisions in respect of the disposition of the company's profit or loss (such as payment of dividends).

The annual report, together with the auditor's report, must be presented at the annual general meeting, which according to the Swedish Companies Act is to be held within six months after the end of the financial year.

Auditors are appointed by the general shareholders' meeting, whereby a registered accounting firm may be appointed as auditor. There is no applicable regulation for Leading Edge Materials regarding requirements of having an audit committee.

### Corporate governance reports and website

#### *CANADA*

Companies listed on the TSX Venture Exchange must provide corporate governance information in the management information circular (usually referred to as a proxy circular). The proxy circular is distributed together with the company's notice of annual shareholders' meeting and is filed on SEDAR. There is no requirement to include the proxy circular on the company's website, or to have the proxy circular reviewed by the company's auditor. Canadian securities laws regulate the content of the proxy circular for publicly listed companies and the circular must, among other things, include a discussion of the company's corporate governance practice and its compliance with Canadian corporate governance principles. Although there are no legal requirements regarding a disclosure of the company's corporate governance practices on the company's website, the company does include information useful to investors.

#### *SWEDEN*

Companies listed on First North must have its own website on which all published information from Leading Edge Materials to the market shall be readily available for at least five years. Annual reports, prospectuses, and other information provided for distribution to, or kept available to, shareholders shall be readily available on the website, unless special cause exists. The website shall also include Leading Edge Materials articles of incorporation and details of the current board of directors and senior management and the name of the certified adviser.

### Company's obligation to disclose changes in its share capital

#### *CANADA*

The company is not generally required to file any reports with the TSX Venture Exchange for changes when the number of outstanding or reserved listed securities has occurred. However, the company is required to obtain TSX Venture Exchange acceptance for any issuance of securities. In connection with the grant of stock options pursuant to the company's stock option plan, the policies provide that a company must file monthly reports for any stock options granted.

#### *SWEDEN*

In addition to the requirement in the Swedish Companies Act to register increases and decreases of the share capital there is no regulations on filing or reporting changes when the number of outstanding securities has occurred for Leading Edge Materials.

### Distribution of information to the Canadian and Swedish markets

The content and format of the disclosure obligations of Canadian issuers is mandated under National Instrument 51-102 and other National Instruments. The CSA have implemented National Policy 51-201 Disclosure Standards to provide "best disclosure" practices in order that everyone investing in securities will have equal access to information that may affect their investment decisions. Canadian securities legislation prohibits a reporting issuer from selective disclosure or informing any person or company in a special relationship with a reporting issuer, other than in the necessary course of business, of a material fact or a material change before that material information has been generally disclosed. Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with knowledge of a material fact or material change about the issuer that has not been generally disclosed.

The Company maintains a disclosure policy to ensure that communications to the investing public about the Company are (i) timely, factual and accurate and (ii) broadly disseminated in accordance with all applicable legal and regulatory requirements. The disclosure policy extends to all employees, consultants and the board of directors of the Company and its subsidiaries and those individuals authorized to speak on behalf of the Company or its subsidiaries.

Following the Listing on First North the Company will be subject to the rules on disclosure of the Nasdaq First North Nordic - Rulebook. Financial reports and press releases will be published on the Company's website at [www.leadingedgematerials.com](http://www.leadingedgematerials.com) and by its news distributors. Financial reports and press releases are also filed on SEDAR at [www.sedar.com](http://www.sedar.com). The information will be in English only. In addition to Nasdaq First North Nordic - Rulebook, the Company also needs to comply with MAR. MAR includes disclosure obligations and closed period rules that apply to issuers that have agreed to or have been approved for admission to trading on a MTF. Since First North is an MTF, MAR do applies to Leading Edge Materials.

## Swedish insider reporting rules

In addition to any reporting requirements under applicable Canadian laws, persons discharging managerial responsibilities in Leading Edge Materials will, by reason of the Listing, be required to report their transactions to the Swedish Financial Supervisory Authority (the "SFSA"). Such reporting shall be made in accordance with MAR. These reports are publicly available on the SFSA's website [www.fi.se](http://www.fi.se). In addition, the same regulation stipulates a trading ban for persons discharging managerial responsibilities within an issuer to conduct any transactions on its own or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer or to derivate or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public according to the rules of the trading venue where the issuer's shares are admitted to trading or national law.

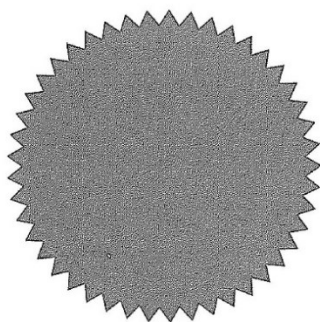


Number: BC0893900

**CERTIFICATE  
OF  
INCORPORATION**

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that TASEX CAPITAL LIMITED was incorporated under the Business Corporations Act on October 27, 2010 at 11:54 AM Pacific Time.



*Issued under my hand at Victoria, British Columbia  
On October 27, 2010*

**RON TOWNSHEND**  
*Registrar of Companies*  
Province of British Columbia  
Canada



Number: BC0893900

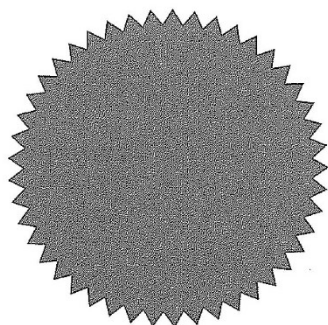
# **CERTIFICATE OF CHANGE OF NAME**

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that TASEX CAPITAL LIMITED changed its name to FLINDERS RESOURCES LIMITED on February 22, 2012 at 12:01 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia  
On February 22, 2012*

**RON TOWNSHEND**  
*Registrar of Companies*  
Province of British Columbia  
Canada







Number: BC0893900

# **CERTIFICATE OF CHANGE OF NAME**

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that FLINDERS RESOURCES LIMITED changed its name to LEADING EDGE MATERIALS CORP. on August 25, 2016 at 12:01 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia  
On August 25, 2016*



**CAROL PREST**  
*Registrar of Companies*  
Province of British Columbia  
Canada

**FLINDERS RESOURCES LIMITED**  
(the "Company")

*Incorporation number: BC0893900*

The Company has as its articles the following articles, as adopted on May 21, 2015.

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## **1. INTERPRETATION**

### **1.1 Definitions**

In these Articles, unless the context otherwise requires:

- (a) “board of directors”, “directors” and “board” mean the directors or sole director of the Company for the time being;
- (b) “*Business Corporations Act*” means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (c) “*Interpretation Act*” means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (d) “legal personal representative” means the personal or other legal representative of the shareholder;
- (e) “registered address” of a shareholder means the shareholder’s address as recorded in the central securities register; and
- (f) “seal” means the seal of the Company, if any.

### **1.2 Business Corporations Act and Interpretation Act Definitions Applicable**

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the Interpretation Act, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the Interpretation Act relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## **2. SHARES AND SHARE CERTIFICATES**

### **2.1 Authorized Share Structure**

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### **2.2 Form of Share Certificate**

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

### **2.3 Shareholder Entitled to Certificate or Acknowledgment**

Each shareholder is entitled, without charge, to:

- (a) one share certificate representing the shares of each class or series of shares registered in the shareholder’s name; or



- (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate;

provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

#### **2.4 Delivery by Mail**

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgment is lost in the mail or stolen.

#### **2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

- (a) order the share certificate or acknowledgment, as the case may be, to be cancelled; and
- (b) issue a replacement share certificate or acknowledgment, as the case may be.

#### **2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment**

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (a) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (b) any indemnity the directors consider adequate.

#### **2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

#### **2.8 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount if any, determined by the directors, which must not exceed the amount prescribed under the *Business Corporations Act*.

#### **2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize

(even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

#### **2.10 Shares may be uncertificated**

Notwithstanding any other provisions of this Part, the Company may, by resolution of the board of directors, provide that:

- (a) the shares of any or all of the classes and series of the Company's shares may be uncertificated shares; or
- (b) any specified shares may be uncertificated shares.

### **3. ISSUE OF SHARES**

#### **3.1 Directors Authorized**

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

#### **3.2 Commissions and Discounts**

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

#### **3.3 Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

#### **3.4 Conditions of Issue**

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (a) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (i) past services performed for the Company;
  - (ii) property;
  - (iii) money; and
- (b) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### **3.5 Share Purchase Warrants and Rights**

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## **4. SHARE REGISTERS**

### **4.1 Central Securities Register**

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### **4.2 Closing Register**

The Company must not at any time close its central securities register.

## **5. SHARE TRANSFERS**

### **5.1 Registering Transfers**

A transfer of a share of the Company must not be registered unless:

- (a) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company or if such certificate has been lost, stolen or destroyed, the documents required under Article 2.6 have been provided to the Company; and
- (c) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company or if such acknowledgment has been lost, stolen or destroyed, the documents required under Article 2.6 have been provided to the Company.

### **5.2 Form of Instrument of Transfer**

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

### **5.3 Transferor Remains Shareholder**

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

#### **5.4 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (a) in the name of the person named as transferee in that instrument of transfer; or
- (b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

#### **5.5 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

#### **5.6 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

#### **5.7 Definitions**

In this Article 5:

- (a) “designated security” means:
  - (i) a voting security of the Company;
  - (ii) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
  - (iii) a security of the Company convertible, directly or indirectly, into a security described in paragraph 5.7(a)(i) or 5.7(a)(ii);
- (b) “security” has the meaning assigned in the *Securities Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (c) “voting security” means a security of the Company that:
  - (i) is not a debt security, and
  - (ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.



#### **5.8 Consent Required for Transfer of Shares or Designated Securities**

Notwithstanding any other provision of these Articles, while the Company is, or becomes, a company which is not a reporting issuer as defined in the Securities Act (*British Columbia*), no share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

### **6. TRANSMISSION OF SHARES**

#### **6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

#### **6.2 Rights of Legal Personal Representative**

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

### **7. ACQUISITION OF SHARES**

#### **7.1 Company Authorized to Acquire Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by a resolution of the directors, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

#### **7.2 Acquisition When Insolvent**

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (a) the Company is insolvent; or
- (b) making the payment or providing the consideration would render the Company insolvent.

#### **7.3 Sale and Voting of Acquired Shares**

If the Company retains a share purchased, redeemed, or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (a) is not entitled to vote the share at a meeting of its shareholders;
- (b) must not pay a dividend in respect of the share; and
- (c) must not make any other distribution in respect of the share.

## **8. BORROWING POWERS**

The Company, if authorized by the directors, may:

- (a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- (c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **9. ALTERATIONS**

### **9.1 Alteration of Authorized Share Structure**

Subject to Article 9.2 and the *Business Corporations Act*, the Company may by resolution of the board of directors or by ordinary resolution, as determined by the board in its sole discretion:

- (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (d) if the Company is authorized to issue shares of a class of shares with par value:
  - (i) decrease the par value of those shares; or
  - (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (e) change all or any of the unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (f) alter the identifying name of any of its shares; or
- (g) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

The Company may, by resolution of the board of directors, authorize and cause the Company to alter its Notice of Articles and Articles, as applicable, to reflect any change in the authorized share structure of the Company pursuant to Article 9.1 or otherwise.

## **9.2 Special Rights and Restrictions**

Subject to the *Business Corporations Act*, the Company may by ordinary resolution:

- (a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- (b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued,

and alter its Notice of Articles and Articles accordingly.

## **9.3 No Alteration Without Class or Series Consent**

Notwithstanding anything else contained in this Part 9, no right or special right attached to issued shares may be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a separate special resolution of those shareholders.

## **9.4 Change of Name**

The Company may by resolution of the board of directors or by ordinary resolution, as determined by the board in its sole discretion, authorize an alteration of its Notice of Articles in order to change its name and may, by resolution of the board of directors, adopt or change any translation of that name.

## **9.5 Other Alterations**

If the *Business Corporations Act* does not specify:

- (a) the type of resolution and these Articles do not specify another type of resolution, the Company may by resolution of the directors or by ordinary resolution authorize any act of the Company, including without limitation, an alteration of these Articles; or
- (b) the type of shareholders' resolution and these Articles do not specify another type of shareholders' resolution, the Company may by ordinary resolution authorize any act of the Company.

# **10. MEETINGS OF SHAREHOLDERS**

## **10.1 Annual General Meetings**

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

## **10.2 Location of Meetings of Shareholders**

The directors may, by directors' resolution, approve a location outside British Columbia for the holding of a meeting of shareholders of the Company.



### **10.3 Resolution Instead of Annual General Meeting**

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.3, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### **10.4 Calling of Meetings of Shareholders**

The directors may, whenever they think fit, call a meeting of shareholders.

### **10.5 Notice for Meetings of Shareholders**

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (a) while the Company is, or becomes, a public company, 21 days;
- (b) otherwise, 10 days.

### **10.6 Record Date for Notice**

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (a) while the Company is, or becomes, a public company, 21 days;
- (b) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. Pacific Standard Time on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.7 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. Pacific Standard Time on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.8 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

#### **10.9 Notice of Special Business at Meetings of Shareholders**

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

- (a) state the general nature of the special business; and
- (b) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:
  - (i) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and
  - (ii) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

#### **11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

##### **11.1 Special Business**

At a meeting of shareholders, the following business is special business:

- (a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (b) at an annual general meeting, all business is special business except for the following:
  - (i) business relating to the conduct of or voting at the meeting;
  - (ii) consideration of any financial statements of the Company presented to the meeting;
  - (iii) consideration of any reports of the directors or auditor;
  - (iv) the setting or changing of the number of directors;
  - (v) the election or appointment of directors;
  - (vi) the appointment of an auditor;
  - (vii) the setting of the remuneration of an auditor;
  - (viii) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
  - (ix) annual ratification of a rolling stock option plan pursuant to the requirements of the TSX Venture Exchange; and
  - (x) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

##### **11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

### **11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares of the Company entitled to be voted at the meeting.

### **11.4 One Shareholder May Constitute Quorum**

If the Company has only one shareholder:

- (a) the quorum is one person who is, or who represents by proxy, that shareholder, and
- (b) that shareholder, present in person or by proxy, may constitute the meeting.

### **11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

### **11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present in person or by proxy at the commencement of the meeting, but such quorum need not be present throughout the meeting.

### **11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (a) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and
- (b) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

### **11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(b) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

### **11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

- (a) the chair of the board, if any; or
- (b) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

#### **11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

#### **11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

#### **11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

#### **11.13 Decisions by Show of Hands or Poll**

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

#### **11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

#### **11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

#### **11.16 Casting Vote**

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

#### **11.17 Manner of Taking Poll**

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:



- (a) the poll must be taken:
  - (i) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
  - (ii) in the manner, at the time and at the place that the chair of the meeting directs;
- (b) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
- (c) the demand for the poll may be withdrawn by the person who demanded it.

#### **11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

#### **11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

#### **11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

#### **11.21 Demand for Poll**

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

#### **11.22 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

#### **11.23 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

#### **11.24 Meetings by telephone or other communications medium**

A shareholder or proxy holder who is entitled to participate in a meeting of shareholders may do so in person, or by telephone or other communications medium, if all shareholders and proxy holders participating in the meeting are able to communicate with each other; provided, however, that nothing in this Section shall obligate the Company to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders. If one or more shareholders or proxy holders participate in a meeting of shareholders in a manner contemplated by this Article 11.24:

- (a) each such shareholder or proxy holder shall be deemed to be present at the meeting; and

- (b) the meeting shall be deemed to be held at the location specified in the notice of the meeting.

## **12. VOTES OF SHAREHOLDERS**

### **12.1 Number of Votes by Shareholder or by Shares**

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

### **12.2 Votes of Persons in Representative Capacity**

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

### **12.3 Votes by Joint Holders**

If there are joint shareholders registered in respect of any share:

- (a) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (b) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

### **12.4 Legal Personal Representatives as Joint Shareholders**

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

### **12.5 Representative of a Corporate Shareholder**

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

- (a) for that purpose, the instrument appointing a representative must:
  - (i) be received at the registered office of the Company or at any other place specified in the notice calling the meeting for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
  - (ii) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting; and
- (b) if a representative is appointed under this Article 12.5:

- (i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
- (ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

#### **12.6 Proxy Provisions Do Not Apply to All Companies**

Articles 12.7 to 12.14 do not apply to the Company if and for so long as it is:

- (a) a public company; or
- (b) a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

#### **12.7 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

#### **12.8 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

#### **12.9 When Proxy Holder Need Not Be Shareholder**

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (a) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;
- (b) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or
- (c) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

#### **12.10 Deposit of Proxy**

A proxy for a meeting of shareholders must:

- (a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or



- (b) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

#### 12.11 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

<b>(NAME OF COMPANY)</b> (the "Company")
The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.
Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the shareholder): _____
Signed [month, day, year]
_____ [Signature of shareholder]
_____ [Name of shareholder—printed]

#### 12.12 Revocation of Proxy

Subject to Article 12.13, every proxy may be revoked by an instrument in writing that is:

- (a) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (b) provided, at the meeting, to the chair of the meeting.

#### 12.13 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.12 must be signed as follows:

- (a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;
- (b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

#### **12.14 Validity of Proxy Vote**

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (a) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (b) by the chair of the meeting, before the vote is taken.

#### **12.15 Production of Evidence of Authority to Vote**

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

### **13. DIRECTORS**

#### **13.1 First Directors; Number of Directors**

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (a) subject to paragraphs 13.1(b) and (c), the number of directors that is equal to the number of the Company's first directors;
- (b) if the Company is, or becomes, a public company, the greater of three and the most recent set of:
  - (i) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (ii) the number of directors set under Article 14.4.
- (c) if the Company is, or becomes, a company which is not a public company the most recent set of:
  - (i) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (ii) the number of directors set under Article 14.4.

#### **13.2 Change in Number of Directors**

If the number of directors is set under Article 13.1(b)(i) or 13.1(c)(i):

- (a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
- (b) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

#### **13.3 Directors' Acts Valid Despite Vacancy**

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

#### **13.4 Qualifications of Directors**

A director is not required to hold a share of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

#### **13.5 Remuneration of Directors**

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

#### **13.6 Reimbursement of Expenses of Directors**

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

#### **13.7 Special Remuneration for Directors**

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

#### **13.8 Gratuity, Pension or Allowance on Retirement of Director**

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

### **14. ELECTION AND REMOVAL OF DIRECTORS**

#### **14.1 Election at Annual General Meeting**

At every annual general meeting and in every unanimous resolution contemplated by Article 10.3:

- (a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and
- (b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph 14.1(a), but are eligible for re-election or re-appointment.

#### **14.2 Consent to be a Director**

No election, appointment or designation of an individual as a director is valid unless:

- (a) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (b) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

- (c) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

#### **14.3 Failure to Elect or Appoint Directors**

If:

- (a) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.3, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (b) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.3, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (c) the date on which his or her successor is elected or appointed; and
- (d) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

#### **14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

#### **14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

#### **14.6 Remaining Directors' Power to Act**

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

#### **14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.



#### **14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.3, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (b) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(a), but is eligible for re-election or re-appointment.

#### **14.9 Ceasing to be a Director**

A director ceases to be a director when:

- (a) the term of office of the director expires;
- (b) the director dies;
- (c) the director resigns as a director by notice in writing provided to the Company; or
- (d) the director is removed from office pursuant to Articles 14.10 or 14.11.

#### **14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

#### **14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

### **15. ALTERNATE DIRECTORS**

#### **15.1 Appointment of Alternate Director**

Any director (an "appointor") may by notice in writing received by the Company appoint any person (an "appointee") who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

#### **15.2 Notice of Meetings**

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

#### **15.3 Alternate for More Than One Director Attending Meetings**

A person may be appointed as an alternate director by more than one director, and an alternate director:

- (a) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;
- (b) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;
- (c) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;
- (d) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

#### **15.4 Consent Resolutions**

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

#### **15.5 Alternate Director Not an Agent**

Every alternate director is deemed not to be the agent of his or her appointor.

#### **15.6 Revocation of Appointment of Alternate Director**

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

#### **15.7 Ceasing to be an Alternate Director**

The appointment of an alternate director ceases when:

- (a) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;
- (b) the alternate director dies;
- (c) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;
- (d) the alternate director ceases to be qualified to act as a director; or
- (e) his or her appointor revokes the appointment of the alternate director.

#### **15.8 Remuneration and Expenses of Alternate Director**

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company

such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

## **16. POWERS AND DUTIES OF DIRECTORS**

### **16.1 Powers of Management**

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

### **16.2 Appointment of Attorney of Company**

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

### **16.3 Setting Remuneration of the Auditor**

The directors, or if the directors delegate this responsibility to an audit committee of the directors, the audit committee, may from time to time determine the remuneration to be paid by the Company to the auditor, in such manner and upon such terms and conditions, as the directors or the audit committee, in their absolute discretion, may determine.

## **17. DISCLOSURE OF INTEREST OF DIRECTORS**

### **17.1 Obligation to Account for Profits**

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### **17.2 Restrictions on Voting by Reason of Interest**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### **17.3 Interested Director Counted in Quorum**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or



transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

**17.4 Disclosure of Conflict of Interest or Property**

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

**17.5 Director Holding Other Office in the Company**

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

**17.6 No Disqualification**

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

**17.7 Professional Services by Director or Officer**

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

**17.8 Director or Officer in Other Corporations**

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

**18. PROCEEDINGS OF DIRECTORS**

**18.1 Meetings of Directors**

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

**18.2 Voting at Meetings**

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **18.3 Chair of Meetings**

The following individual is entitled to preside as chair at a meeting of directors:

- (a) the chair of the board, if any;
- (b) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (c) any other director chosen by the directors if:
  - (i) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
  - (ii) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
  - (iii) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

### **18.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

### **18.5 Calling of Meetings**

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

### **18.6 Notice of Meetings**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Article 24.1 or orally or by telephone.

### **18.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

- (a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (b) the director or alternate director, as the case may be, has waived notice of the meeting.

### **18.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

#### **18.9 Waiver of Notice of Meetings**

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

#### **18.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by resolution of the directors and, if not so set, is deemed to be a majority of the directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

#### **18.11 Validity of Acts Where Appointment Defective**

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

#### **18.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Article 18.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

### **19. EXECUTIVE AND OTHER COMMITTEES**

#### **19.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (a) the power to fill vacancies in the board of directors;
- (b) the power to remove a director;
- (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (d) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

## **19.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

- (a) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (b) delegate to a committee appointed under paragraph 19.2(a) any of the directors' powers, except:
  - (i) the power to fill vacancies in the board of directors;
  - (ii) the power to remove a director;
  - (iii) the power to change the membership of, or fill vacancies in, any committee of the directors; and
  - (iv) the power to appoint or remove officers appointed by the directors; and
- (c) make any delegation referred to in paragraph 19.2(b) subject to the conditions set out in the resolution or any subsequent directors' resolution.

## **19.3 Obligations of Committees**

Any committee appointed under Articles 19.1 or 19.2, in the exercise of the powers delegated to it, must:

- (a) conform to any rules that may from time to time be imposed on it by the directors; and
- (b) report every act or thing done in exercise of those powers at such times as the directors may require.

## **19.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Articles 19.1 or 19.2:

- (a) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (b) terminate the appointment of, or change the membership of, the committee; and
- (c) fill vacancies in the committee.

## **19.5 Committee Meetings**

Subject to Article 19.3(a) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 19.1 or 19.2:

- (a) the committee may meet and adjourn as it thinks proper;
- (b) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (c) a majority of the members of the committee constitutes a quorum of the committee; and
- (d) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.



## **20. OFFICERS**

### **20.1 Directors May Appoint Officers**

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

### **20.2 Functions, Duties and Powers of Officers**

The directors may, for each officer:

- (a) determine the functions and duties of the officer;
- (b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### **20.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

### **20.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## **21. INDEMNIFICATION**

### **21.1 Definitions**

In this Article 21:

- (a) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
- (b) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:
  - (i) is or may be joined as a party; or
  - (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding; and
- (c) “expenses” has the meaning set out in the *Business Corporations Act*.

#### **21.2 Mandatory Indemnification of Directors and Former Directors**

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 21.2.

#### **21.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

#### **21.4 Non-Compliance with *Business Corporations Act***

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

#### **21.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (a) is or was a director, alternate director, officer, employee or agent of the Company;
- (b) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (c) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (d) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

### **22. DIVIDENDS**

#### **22.1 Payment of Dividends Subject to Special Rights**

The provisions of this Article 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

#### **22.2 Declaration of Dividends**

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

#### **22.3 No Notice Required**

The directors need not give notice to any shareholder of any declaration under Article 22.2.

#### **22.4 Record Date**

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. Pacific Standard Time on the date on which the directors pass the resolution declaring the dividend.

#### **22.5 Manner of Paying Dividend**

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

#### **22.6 Settlement of Difficulties**

If any difficulty arises in regard to a distribution under Article 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (a) set the value for distribution of specific assets;
- (b) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (c) vest any such specific assets in trustees for the persons entitled to the dividend.

#### **22.7 When Dividend Payable**

Any dividend may be made payable on such date as is fixed by the directors.

#### **22.8 Dividends to be Paid in Accordance with Number of Shares**

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

#### **22.9 Receipt by Joint Shareholders**

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

#### **22.10 Dividend Bears No Interest**

No dividend bears interest against the Company.

#### **22.11 Fractional Dividends**

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

#### **22.12 Payment of Dividends**

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central



securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

#### **22.13 Capitalization of Surplus**

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

### **23. DOCUMENTS, RECORDS AND REPORTS**

#### **23.1 Recording of Financial Affairs**

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

#### **23.2 Inspection of Accounting Records**

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

### **24. NOTICES**

#### **24.1 Method of Giving Notice**

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (a) mail addressed to the person at the applicable address for that person as follows:
  - (i) for a record mailed to a shareholder, the shareholder's registered address;
  - (ii) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
  - (iii) in any other case, the mailing address of the intended recipient;
- (b) delivery at the applicable address for that person as follows, addressed to the person:
  - (i) for a record delivered to a shareholder, the shareholder's registered address;
  - (ii) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
  - (iii) in any other case, the delivery address of the intended recipient;
- (c) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

- (d) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class; and
- (e) physical delivery to the intended recipient.

#### **24.2 Deemed Receipt of Mailing**

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

#### **24.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 24.1, prepaid and mailed or otherwise sent as permitted by Article 24.1 is conclusive evidence of that fact.

#### **24.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

#### **24.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

- (a) mailing the record, addressed to them:
  - (i) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
  - (ii) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (b) if an address referred to in paragraph 24.5(a)(ii) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

### **25. SEAL**

#### **25.1 Who May Attest Seal**

Except as provided in Articles 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

- (a) any two directors;
- (b) any officer, together with any director;
- (c) if the Company only has one director, that director; or
- (d) any one or more directors or officers or persons as may be determined by the directors.

### **25.2 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 25.1, the impression of the seal may be attested by the signature of any director or officer.

### **25.3 Mechanical Reproduction of Seal**

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## DOCUMENTS INCORPORATED BY REFERENCE

### Notes to financial information

#### 1. Nature of Operations and Going Concern

The Company is a junior exploration company currently engaged in the operation of its 100% owned Woxna Graphite Mine located in central Sweden. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "LEM" and on the OTCQB under the symbol "LEMIF". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During the nine months ended July 31, 2017 the Company recorded a net loss of \$2,152,014 and, as at July 31, 2017, the Company had an accumulated deficit of \$21,900,025 and working capital of \$4,430,469. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions improve. The Company is currently reviewing opportunities 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. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or modernizing the plant to produce value added production. In addition, as described in Note 4, in August 2016 the Company completed the acquisition of Tasman Metals Ltd. ("Tasman"). Tasman's primary asset is its Norra Kärr rare earth element deposit in Sweden and development of the Norra Kärr Property will require significant funds. 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. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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, 2016, 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, 2016.

##### *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%

### 4. Tasman Acquisition

On August 25, 2016 the Company completed a statutory plan of arrangement (the "Arrangement") and acquired all of the issued and outstanding common shares of Tasman Metals Ltd. ("Tasman"), under which the Company issued 33,070,948 common shares with a fair value of \$16,535,474. The Company also granted 520,000 share options, exercisable at prices ranging from \$0.48 - \$2.94 per share, 147,953 compensation options exercisable at \$2.20 per share and 2,467,716 warrants, exercisable at \$3.00 per share, in exchange for Tasman share options, compensation options and warrants. The fair values of the share options, compensation options and warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.51% to 0.56%; estimated volatility of 97% to 108%; expected lives of 0.02 year to 2.25 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%. The values assigned to the options, compensation options and warrants were \$91,599, \$1,162 and \$6,473, respectively.

The Company incurred \$94,989 for legal, filing and other costs associated with the transactions conducted pursuant to the Arrangement. These transactions costs were capitalized to exploration and evaluation assets.

The Arrangement was accounted for as an acquisition of the net assets of Tasman, as follows:

	\$
Common shares issued	16,535,474
Share options granted	91,599
Compensation options granted	1,162
Warrants issued	6,473
Costs incurred	94,989
Acquisition cost	<u>16,729,697</u>

The Arrangement cost was generally allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. The results of operations were recorded from the effective date of purchase.

Cost of the net assets acquired consists of:

	\$
Net working capital	1,062,525
Property, plant and equipment	15,489
Exploration and evaluation assets	15,619,814
Reclamation deposit	<u>31,869</u>
Net assets acquired	<u>16,729,697</u>

On closing of the Arrangement Tasman became a wholly-owned subsidiary of the Company.

Certain officers and directors of the Company are also officers and directors of Tasman.

## 5. Exploration and Evaluation Assets

	As at July 31, 2017			As at October 31, 2016		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Graphite Exploration						
Concessions	36,657	4,706	41,363	24,651	4,706	29,357
Norra Kärr	15,369,994	10,643	15,380,637	15,417,169	-	15,417,169
Bergby	49,283	107,106	156,389	45,517	-	45,517
Other	75,145	14,497	89,642	162,559	14,497	177,056
	15,531,079	136,952	15,668,031	15,649,896	19,203	15,669,099
		Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Balance at October 31, 2015	19,616	-	-	-	-	19,616
Exploration costs						
Consulting	-	-	-	-	11,008	11,008
Geochemical	-	-	-	-	3,489	3,489
	-	-	-	-	14,497	14,497
Acquisition costs						
Acquired on Acquisition (Note 4)	-	15,417,169	45,517	157,128	15,619,814	
Mining rights	9,741	-	-	5,431	15,172	
	9,741	15,417,169	45,517	162,559	15,634,986	
Balance at October 31, 2016	29,357	15,417,169	45,517	177,056	15,669,099	
Exploration costs						
Consulting	-	9,672	40,595	-	50,267	
Drilling	-	-	64,761	-	64,761	
Exploration site	-	-	1,264	-	1,264	
Mapping	-	971	486	-	1,457	
	-	10,643	107,106	-	117,749	
Acquisition costs						
Mining rights	12,006	-	3,766	-	15,772	
Recoveries	-	(9,440)	-	-	(9,440)	
	12,006	(9,440)	3,766	-	6,332	
Write-off	-	(37,735)	-	(87,414)	(125,149)	
Balance at July 31, 2017	41,363	15,380,637	156,389	89,642	15,668,031	

### (a) Graphite Exploration Concessions

In February 2012 the Company completed the acquisition of Flinders Holdings Limited, which owns Woxna Graphite AB ("Woxna"). Woxna holds a 100% interest in the Woxna Graphite Mine, comprising four exploitation concessions, known as Kringelgruven, Mattsmyra, Gropabo and Mansberg. The Woxna Graphite Mine is located in Ovanaker Municipality, Gävleborg County, central Sweden.

## 5. Exploration and Evaluation Assets (continued)

In 1993 Woxna entered into agreements under which it acquired:

- (i) the Kringelgruven concession for an initial payment of SEK 150,000 and a further amount of SEK 4,000,000 (the “property acquisition obligation”) is to be paid upon the commencement of production from the Kringelgruven concession; and
- (ii) the Mattsmyra, Gropabo and Mansberg concessions (the “Graphite Exploration Concessions”) for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions is to be paid upon commencement of production from these concessions.

Payments of the additional considerations are 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 if profits are 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 Kringelgruven concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringelgruven concession to the development stage of mining. Accordingly the costs on the exploration and evaluation assets attributed to the Kringelgruven concession and the Woxna Graphite Mine were reclassified to property, plant and equipment. See also Note 6.

### (b) *Norra Kärr*

The Norra Kärr Property consists of four staked exploration licenses and a mining lease, located in south-central Sweden. The exploration licenses and the mining lease have been subject to ongoing legal opposition and appeals. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property.

During the nine months ended July 31, 2017 the Company wrote-off \$37,735 on relinquishment of certain minor claims.

### (c) *Bergby*

The Bergby Project consists of three exploration permits located in central Sweden.

### (d) *Other Properties*

The Company previously held a 100% interest in six exploration licenses (the “Tungsten Properties”) located in south-central Sweden. During the nine months ended July 31, 2017 the Company wrote-off \$86,257 on the relinquishment of three exploration licenses and, as at July 31, 2017, the Company holds three remaining exploration licenses. The Company is required to issue 25,000 common shares upon commencement of production from any of the Tungsten Properties.

The Company has also staked claims in Sweden and Finland. During the nine months ended July 31, 2017 the Company wrote-off \$1,157 on relinquishment of a minor claim in Sweden.



## 6. Property, Plant and Equipment

<b>Cost:</b>	<b>Vehicles \$</b>	<b>Equipment and Tools \$</b>	<b>Building \$</b>	<b>Manufacturing and Processing Facility \$</b>	<b>Mineral Property Acquisition and Development Costs \$</b>	<b>Total \$</b>
Balance at October 31, 2015	163,133	264,699	344,139	7,567,878	7,452,361	15,792,210
Additions	-	-	-	-	16,401	16,401
Acquisition (Note 4)	-	15,489	-	-	-	15,489
Disposal	(81,986)	-	-	-	-	(81,986)
Adjustment to site restoration	-	-	-	-	1,823,418	1,823,418
Balance at October 31, 2016	81,147	280,188	344,139	7,567,878	9,292,180	17,565,532
Additions	-	-	-	-	2,806	2,806
Adjustment to site restoration	-	-	-	-	1,382,603	1,382,603
Balance at July 31, 2017	81,147	280,188	344,139	7,567,878	10,677,589	18,950,941
<b>Accumulated Depreciation:</b>						
Balance at October 31, 2015	(84,822)	(182,155)	(5,470)	(79,889)	-	(352,336)
Depreciation	(17,045)	(35,612)	(22,007)	(20,064)	-	(94,728)
Disposal	59,882	-	-	-	-	59,882
Balance at October 31, 2016	(41,985)	(217,767)	(27,477)	(99,953)	-	(387,182)
Depreciation	(9,786)	(23,987)	(16,505)	(10,265)	-	(60,543)
Balance at July 31, 2017	(51,771)	(241,754)	(43,982)	(110,218)	-	(447,725)
<b>Carrying Value:</b>						
Balance at October 31, 2016	39,162	62,421	316,662	7,467,925	9,292,180	17,178,350
Balance at July 31, 2017	29,376	38,434	300,157	7,457,660	10,677,589	18,503,216

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 Woxna Graphite Mine transitioned to production.

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringelgruven concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. During fiscal 2016 the discounted value was accreted to the estimated future value.

A continuity of the property acquisition obligation for the Kringelgruven concession is as follows:

	<b>\$</b>
<b>Balance at October 31, 2015</b>	513,033
Accretion of discounted cash flows	108,465
Foreign exchange adjustment	(48,498)
<b>Balance at October 31, 2016</b>	573,000
Foreign exchange adjustment	45,600
<b>Balance at July 31, 2017</b>	618,600

## 7. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruven concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. 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 41,500,000 to be incurred over the next 20 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0.65% (October 31, 2016 - 0.25%) and an inflation factor of 2.4% (October 31, 2016 - 1.20%). 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:

	\$
<b>Balance at October 31, 2015</b>	5,638,374
Accretion	38,145
Revision of estimates	2,021,433
Foreign exchange adjustment	<u>(198,015)</u>
<b>Balance at October 31, 2016</b>	7,499,937
Accretion	56,844
Revision of estimates	1,146,191
Foreign exchange adjustment	<u>236,412</u>
<b>Balance at July 31, 2017</b>	<u>8,939,384</u>

As at July 31, 2017 reclamation deposits of \$113,110 (SEK 731,391) has been paid and accounted for as a non-current deposit. The reclamation deposits were placed as security for site restoration on the Kringelgruven concession and on certain exploration and evaluation assets.

As at July 31, 2017 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

## 8. 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

During the nine months ended July 31, 2017 the Company completed the following private placements:

- (i) 4,004,222 units at a price of \$0.45 per unit for gross proceeds of \$1,801,900. 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, at a price of \$0.70 per share, expiring December 14, 2019. The Company paid finders' fees of \$13,757 cash and issued 30,570 finders' warrants, with each finders' warrant having the same terms as the warrants issued under the private placement. The fair value of the finders' warrants has been estimated to be \$10,088 using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.81%; expected volatility of 97%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

## 8. Share Capital (continued)

The Company incurred \$23,429 legal and filing costs associated with this private placement.

- (ii) 3,636,364 units at a price of \$0.55 per unit for gross proceeds of \$2,000,000. 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, at a price of \$0.80 per share, expiring May 3, 2020, subject to a forced conversion that comes into effect once the shares trade at a weighted average price of \$1.00 per common share for a period of 30 consecutive trading days. The Company issued 90,000 finder's warrants, with each finder's warrant having the same terms as the warrants issued under the private placement. The fair value of the finder's warrants has been estimated to be \$31,500 using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.81%; expected volatility of 94%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred \$10,750 filing costs associated with this private placement.

No equity financing was conducted by the Company during fiscal 2016.

### (b) Compensation Options

A summary of the Company's compensation options at July 31, 2017 and 2016 and the changes for the nine months ended on those dates is presented below:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	147,953	2.20	-	-
Expired	(147,953)	2.20	-	-
Balance end of period	-	-	-	-

### (c) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at July 31, 2017 and 2016 and the changes for the nine months ended on those dates is as follows:

	2017		2016	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	2,467,716	3.00	9,570,000	0.75
Issued	7,761,156	0.75	-	-
Exercised	(24,416)	0.70	-	-
Expired	(2,467,716)	3.00	(9,570,000)	0.75
Balance end of period	7,736,740	0.75	-	-

## 8. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at July 31, 2017:

Number	Exercise Price \$	Expiry Date
4,010,376	0.70	December 14, 2019
<u>3,726,364</u>	0.80	May 3, 2020
<u>7,736,740</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.

During the nine months ended July 31, 2017 and 2016 the Company did not grant any share options.

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.

A summary of the Company's share options at July 31, 2017 and 2016 and the changes for the nine months ended on those dates is as follows:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	7,977,500	0.43	1,850,000	0.51
Exercised	(502,500)	0.43	(145,000)	0.10
Expired	<u>(767,500)</u>	0.72	<u>(100,000)</u>	0.60
Balance end of period	<u>6,707,500</u>	0.40	<u>1,605,000</u>	0.54

The following table summarizes information about the share options outstanding and exercisable at July 31, 2017:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
55,000	55,000	1.20	October 7, 2017
267,500	267,500	0.48	December 2, 2018
<u>6,385,000</u>	<u>5,235,000</u>	0.39	October 14, 2021
<u>6,707,500</u>	<u>5,557,500</u>		

## 9. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.



**9. Related Party Disclosures (continued)**

**(a) Transactions with Key Management Personnel**

During the nine months ended July 31, 2017 and 2016 the following amounts were incurred with respect to the Company's President and the Chief Financial Officer ("CFO"):

	2017 \$	2016 \$
Management fees - President	149,994	149,994
Consulting fees - CFO	<u>12,000</u>	<u>19,000</u>
	<u>161,994</u>	<u>168,994</u>

As at July 31, 2017, \$16,666 (October 31, 2016 - 2015 - \$13,500) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President of the Company which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on July 31, 2017 the amount payable under the agreement would be \$199,992.

**(b) Transactions with other Related Parties**

(i) During the nine months ended July 31, 2017 and 2016 the following amounts were incurred with respect to current and former non-management directors of the Company:

	2017 \$	2016 \$
Consulting fees	<u>123,255</u>	<u>31,500</u>

As at July 31, 2017, \$33,175 (October 31, 2016 - \$48,455) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the nine months ended July 31, 2017 the Company incurred \$43,300 (2016 - \$22,600) for services provided by Chase personnel, exclusive of the CFO, and \$3,015 (2016 - \$3,015) for rent. As at July 31, 2017, \$4,170 (October 31, 2016 - \$4,470) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the nine months ended July 31, 2017 the Company incurred \$14,500 (2016 - \$10,825) for shared administration costs with a public company with common directors and officers. As at July 31, 2017, \$nil (October 31, 2016 - \$6,413) remained unpaid and has been included in accounts payable and accrued liabilities.

**10. Financial Instruments and Risk Management**

***Categories of Financial Assets and Financial Liabilities***

Financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

**10. Financial Instruments and Risk Management (continued)**

Financial Instrument	Category	July 31, 2017 \$	October 31, 2016 \$
Cash	FVTPL	4,539,405	2,698,836
Amounts receivable	Loans and receivables	43,793	40,463
Reclamation deposit	Loans and receivables	113,110	111,248
Accounts payable and accrued liabilities	Other financial liabilities	(552,917)	(642,413)
Property acquisition obligation	Other financial liabilities	(618,600)	(573,000)

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 amount for the property acquisition obligation approximates its fair value. The fair value is determined using a discounted cash flow approach based on the use of directly and indirectly observable inputs on reporting dates. A market rate of interest of 17% and payment dates of 2016 and 2017 were the assumptions. 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, reclamation deposit and amounts receivable. 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.



10. Financial Instruments and Risk Management (continued)

Contractual Maturity Analysis at July 31, 2017					
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	4,539,405	4,539,405	4,539,405	-	-
Amounts receivable	43,793	43,793	43,793	-	-
Reclamation deposit	113,110	113,110	-	-	113,110
Accounts payable and accrued liabilities	(552,917)	(552,917)	(552,917)	-	-
Property acquisition obligation	(618,600)	(618,600)	-	(618,600)	-
Contractual Maturity Analysis at October 31, 2016					
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	2,698,836	2,698,836	2,698,836	-	-
Amounts receivable	40,463	40,463	40,463	-	-
Reclamation deposit	111,248	111,248	-	-	111,248
Accounts payable and accrued liabilities	(642,413)	(642,413)	(642,413)	-	-
Property acquisition obligation	(573,000)	(299,546)	-	(273,454)	-

*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 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 July 31, 2017, 1 Canadian Dollar was equal to SEK 6.47. Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	1,291,110	199,553
Amounts receivable	278,106	42,984
VAT receivable	77,572	11,989
Inventories	624,948	96,648
Plant stores and supplies	624,288	96,546
Reclamation deposit	731,391	113,110
Accounts payable and accrued liabilities	(892,971)	(138,017)
Property acquisition obligation	(4,000,000)	(618,600)
	<u>(1,265,556)</u>	<u>(195,787)</u>

Based on the net exposures as of July 31, 2017 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 \$19,500 higher or lower.

# **10. Financial Instruments and Risk Management (continued)**

The Company also maintains a US Dollar bank account to facilitate the transfer of funds and payment of US Dollar denominated accounts payable. As at July 31, 2017 the balance of US Dollars held by the Company was insignificant.

## *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.

# **11. Supplemental Cash Flow Information**

During the nine months ended July 31, 2017 and 2016 non-cash activities were conducted by the Company as follows:

	2017 \$	2016 \$
Operating activity		
Provision for site restoration	1,382,603	2,023,435
Investing activity		
Revisions of estimates on property, plant and equipment	(1,382,603)	(2,023,435)
Financing activities		
Issuance of common shares	160,994	-
Share issue costs	(41,588)	-
Share-based payments reserve	(119,406)	-
	-	-

# **12. 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 a July 31, 2017		
	Corporate Canada \$	Mineral Operations Sweden \$	Total \$
Current assets	3,445,958	1,537,428	4,983,386
Exploration and evaluation assets	-	15,668,031	15,668,031
Property, plant and equipment	-	18,503,216	18,503,216
Reclamation deposit	-	113,110	113,110
	3,445,958	35,821,785	39,267,743

**12. Segmented Information (continued)**

	<b>As a October 31, 2016</b>		
	<b>Corporate Canada \$</b>	<b>Mineral Operations Sweden \$</b>	<b>Total \$</b>
Current assets	2,653,072	425,982	3,079,054
Exploration and evaluation assets	-	15,669,099	15,669,099
Property, plant and equipment	-	17,178,350	17,178,350
Reclamation deposit	-	111,248	111,248
	<u>2,653,072</u>	<u>33,384,679</u>	<u>36,037,751</u>

**13. Event after the Reporting Period**

Subsequent to July 31, 2017 the Company issued ● common shares on the exercise of share options for proceeds of \$●.

## CONTACT DETAILS

### *The Company*

#### **Leading Edge Materials Corp.**

1305 - 1090 West Georgia Street

Vancouver, BC Canada V6E 3V7

Phone: +1 604 685 9316

Website: [www.leadingedgematerials.com](http://www.leadingedgematerials.com)

### *Financial Adviser*

#### **Remium Nordic AB**

Humlegårdsgatan 20

114 46 Stockholm, Sweden

Phone: +46 8 454 32 00

Website: [www.remium.com](http://www.remium.com)

### *As well as Certified Adviser*

### *Legal advisers to the Company*

#### *In Canada*

#### **Gowling WLG – Vancouver**

550 Burrard St #2300

Bentall 5

Vancouver, BC Canada V6C

Phone: +1 604 683 6498

Website: [www.gowlingwlg.com](http://www.gowlingwlg.com)

#### *In Sweden*

#### **Advokatfirman Delphi AB**

Mäster Samuelsgatan 17

Box 1432

SE – 111 84 Stockholm, Sweden

Phone: +46 8 677 54 00

Website: [www.delphi.se](http://www.delphi.se)

### *Auditor*

#### **D&H Group LLP**

10th Floor – 1333 West Broadway

Vancouver, BC V6H 4C1

Phone: +1 604 731 5881

Website: [www.dhgroup.ca](http://www.dhgroup.ca)