
LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JULY 31, 2019

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	July 31, 2019 \$	October 31, 2018 \$
ASSETS			
Current assets			
Cash		667,992	1,184,420
GST/VAT receivables		45,998	56,448
Amounts receivable		115	658
Prepaid expenses and other		129,885	150,812
Inventory		85,380	90,307
Plant stores and supplies		<u>88,699</u>	<u>93,818</u>
Total current assets		<u>1,018,069</u>	<u>1,576,463</u>
Non-current assets			
Exploration and evaluation assets	4	16,203,874	16,162,239
Property, plant and equipment	5	16,766,645	17,226,407
Reclamation deposit	6	99,631	105,540
Deferred costs	7(b)	<u>-</u>	<u>4,797</u>
Total non-current assets		<u>33,070,150</u>	<u>33,498,983</u>
TOTAL ASSETS		<u>34,088,219</u>	<u>35,075,446</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>499,940</u>	<u>615,756</u>
Non-current liabilities			
Provision for site restoration	6	7,329,906	7,728,200
Property acquisition obligation	5	<u>546,476</u>	<u>578,012</u>
Total non-current liabilities		<u>7,876,382</u>	<u>8,306,212</u>
TOTAL LIABILITIES		<u>8,376,322</u>	<u>8,921,968</u>
SHAREHOLDERS' EQUITY			
Share capital	7	48,837,169	47,186,389
Share subscriptions received	7(b)	-	410,000
Share-based payments reserve		5,837,686	5,611,413
Deficit		<u>(28,962,958)</u>	<u>(27,054,324)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>25,711,897</u>	<u>26,153,478</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>34,088,219</u>	<u>35,075,446</u>

Nature of Operations and Going Concern - Note 1

Events After the Reporting Period - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on September 27, 2019 and are signed on its behalf by:

/s/ Mark Saxon
Mark Saxon
Director

/s/ Michael Hudson
Michael Hudson
Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months Ended July 31,		Nine Months Ended July 31,	
		2019 \$	2018 \$	2019 \$	2018 \$
Expenses					
Accounting and administration	8(b)	18,891	19,441	72,339	81,486
Accretion of provision for site restoration	6	13,200	15,383	39,600	46,149
Audit		-	-	52,509	53,822
Bank charges		786	1,025	3,488	3,097
Consulting		21,152	9,923	79,410	21,828
Corporate development		49,719	37,873	127,288	146,722
Depreciation	5	8,087	8,389	24,582	28,422
Directors and officers compensation	8(a)	58,500	108,498	425,498	335,154
Environmental		11,196	5,902	17,492	31,419
Equipment rentals and related		748	689	3,113	5,413
Fuel, electricity and utilities		15,230	21,208	51,180	90,305
General exploration		30,866	91,044	87,018	91,044
Insurance		5,896	3,876	18,290	12,656
Investment conferences		-	21,600	7,703	37,144
Legal		6,167	14,767	12,675	154,565
Marketing		-	-	-	1,028
Office		6,831	25,057	27,191	60,012
Plant maintenance		7,157	20,484	34,957	45,616
Plant supplies and consumables		5,326	6,228	8,368	18,764
Regulatory		19,868	60,932	107,942	211,796
Rent		10,414	1,005	31,441	3,015
Research and development		9,434	72,993	99,761	161,671
Salaries, compensation and benefits		107,071	107,778	319,477	342,477
Share-based compensation	7(d)	126,000	-	226,273	1,168,525
Shareholder costs		13,984	12,078	42,327	30,498
Transfer agent		11,126	10,594	25,283	28,906
Travel		4,122	20,659	38,996	130,497
		<u>561,771</u>	<u>697,426</u>	<u>1,984,201</u>	<u>3,342,031</u>
Loss before other items		<u>(561,771)</u>	<u>(697,426)</u>	<u>(1,984,201)</u>	<u>(3,342,031)</u>
Other items					
Interest and other income		3,933	7,410	19,441	30,874
Foreign exchange		23,168	(15,131)	20,853	35,330
Cost recoveries		-	-	35,273	20,983
Impairment of exploration and evaluation assets		-	-	-	(19,584)
		<u>27,101</u>	<u>(7,721)</u>	<u>75,567</u>	<u>67,603</u>
Net loss and comprehensive loss		<u>(534,670)</u>	<u>(705,147)</u>	<u>(1,908,634)</u>	<u>(3,274,428)</u>
Loss per share - basic and diluted		<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.04)</u>
Weighted average number of common shares outstanding - basic and diluted					
		<u>95,517,391</u>	<u>89,099,513</u>	<u>95,115,534</u>	<u>88,982,921</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended July 31, 2019					
	Share Capital					
	Number of Shares	Amount \$	Share Subscriptions Received \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at October 31, 2018	89,489,536	47,186,389	410,000	5,611,413	(27,054,324)	26,153,478
Common shares issued for:						
- private placement	6,027,855	1,687,799	(410,000)	-	-	1,277,799
Share issue costs	-	(37,019)	-	-	-	(37,019)
Share-based compensation	-	-	-	226,273	-	226,273
Net loss for the period	-	-	-	-	(1,908,634)	(1,908,634)
Balance at July 31, 2019	<u>95,517,391</u>	<u>48,837,169</u>	<u>-</u>	<u>5,837,686</u>	<u>(28,962,958)</u>	<u>25,711,897</u>

	Nine Months Ended July 31, 2018					
	Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$	
Balance at October 31, 2017	88,704,180	46,748,979	4,502,888	(22,668,039)	28,583,828	
Common shares issued for:						
- share options exercised	400,000	156,000	-	-	156,000	
Transfer on exercise of share options	-	108,000	(108,000)	-	-	
Share-based compensation	-	-	1,168,525	-	1,168,525	
Net loss for the period	-	-	-	(3,274,428)	(3,274,428)	
Balance at July 31, 2018	<u>89,104,180</u>	<u>47,012,979</u>	<u>5,563,413</u>	<u>(25,942,467)</u>	<u>26,633,925</u>	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended	
	July 31,	
	2019	2018
	\$	\$
Operating activities		
Net loss for the period	(1,908,634)	(3,274,428)
Adjustments for:		
Accretion of provision for site restoration	39,600	46,149
Depreciation	24,582	28,422
Foreign exchange	(15,581)	(14,335)
Share-based compensation	226,273	1,168,525
Impairment of exploration and evaluation assets	-	19,584
Changes in non-cash working capital items:		
Amounts receivable	543	23,937
GST/VAT receivables	10,450	46,766
Prepaid expenses and deposit	20,927	58,820
Accounts payable and accrued liabilities	(115,816)	(405,297)
Net cash used in operating activities	<u>(1,717,656)</u>	<u>(2,301,857)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(41,635)	(241,603)
Additions to property, plant and equipment	(2,714)	-
Net cash used in investing activities	<u>(44,349)</u>	<u>(241,603)</u>
Financing activities		
Issuance of common shares	1,277,799	156,000
Share issue costs	(32,222)	-
Net cash provided by financing activities	<u>1,245,577</u>	<u>156,000</u>
Net change in cash during the period	(516,428)	(2,387,460)
Cash at beginning of period	<u>1,184,420</u>	<u>3,979,914</u>
Cash at end of period	<u>667,992</u>	<u>1,592,454</u>

Supplemental cash flow information - See Note 10

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a junior mining 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", on the OTCQB under the symbol "LEMIF" and on NASDAQ First North under the symbol "LEMSE". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During the nine months ended July 31, 2019 the Company recorded a net loss of \$1,908,634 and, as at July 31, 2019, the Company had an accumulated deficit of \$28,962,958 and working capital of \$518,129. During fiscal 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. On August 1, 2015 the Company determined it had completed the refurbishment and commissioning of the Woxna Graphite Mine. The Company maintains ongoing research and development to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs. The Company anticipates that it will require additional capital to meet anticipated levels of corporate administration and overheads for the ensuing twelve months, to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production. In addition the Norra Kärr Property will require significant funds for development. 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, 2018, 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, 2018 other than the adoption of IFRS 9 - *Financial Instruments* ("IFRS 9").

Changes in Accounting Policies - IFRS 9

Effective November 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. Basis of Preparation (continued)

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

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%
Acp Akku Oy	Finland	100%
LEM Resources SRL ("LEM Romania")	Romania	51%

4. Exploration and Evaluation Assets

	<u>As at July 31, 2019</u>			<u>As at October 31, 2018</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Graphite Exploration Concessions	16,050	4,706	20,756	14,097	4,706	18,803
Norra Kärr	15,393,185	382,903	15,776,088	15,393,185	343,221	15,736,406
Bergby	<u>49,791</u>	<u>357,239</u>	<u>407,030</u>	<u>49,791</u>	<u>357,239</u>	<u>407,030</u>
	<u>15,459,026</u>	<u>744,848</u>	<u>16,203,874</u>	<u>15,457,073</u>	<u>705,166</u>	<u>16,162,239</u>

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4. Exploration and Evaluation Assets (continued)

	Graphite Exploration Concessions \$	Norra Kärr \$	Bergby \$	Other \$	Total \$
Balance at October 31, 2017	41,363	15,482,964	391,523	89,056	16,004,906
Exploration costs					
Consulting	-	52,548	-	-	52,548
Environmental	-	155,389	-	-	155,389
Exploration site	-	-	1,035	-	1,035
Geochemical	-	-	5,345	-	5,345
Geological	-	17,634	9,127	-	26,761
Geophysical	-	-	-	1,231	1,231
Permitting	-	19,288	-	-	19,288
	<u>-</u>	<u>244,859</u>	<u>15,507</u>	<u>1,231</u>	<u>261,597</u>
Acquisition costs					
Mining rights	6,599	8,583	-	2,290	17,472
Impairment	<u>(29,159)</u>	<u>-</u>	<u>-</u>	<u>(92,577)</u>	<u>(121,736)</u>
Balance at October 31, 2018	<u>18,803</u>	<u>15,736,406</u>	<u>407,030</u>	<u>-</u>	<u>16,162,239</u>
Exploration costs					
Geological	-	10,472	-	-	10,472
Permitting	-	29,210	-	-	29,210
	<u>-</u>	<u>39,682</u>	<u>-</u>	<u>-</u>	<u>39,682</u>
Acquisition costs					
Mining rights	1,953	-	-	-	1,953
Balance at July 31, 2019	<u>20,756</u>	<u>15,776,088</u>	<u>407,030</u>	<u>-</u>	<u>16,203,874</u>

(a) *Graphite Exploration Concessions*

Through Woxna, the Company 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, Gavleborg County, central Sweden.

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.

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4. Exploration and Evaluation Assets (continued)

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 of 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 5.

(b) *Norra Kärr*

The Norra Kärr Property consists of an exploration license and a mining lease, located in south-central Sweden. The exploration license 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.

(c) *Bergby*

The Bergby Project consists of three exploration permits located in central Sweden.

(d) *Other Properties*

(i) In fiscal 2017 the Company and REMAT Group Management SRL (“REMAT”) agreed to pursue the investigation and initiate a prospecting permit application over the Bihor area of Romania. REMAT proceeded to incorporate LEM Resources SRL (“LEM Romania”) in fiscal 2017. LEM Romania successfully applied for a non-exclusive prospecting permit (the “Permit”) over 25.5 square kilometres in the Bihor area. On August 9, 2018 the Company and REMAT completed a share purchase agreement (the “Share Purchase Agreement”) and executed a shareholders’ joint venture agreement whereby the Company acquired an initial 51% ownership interest (the “Initial Interest”) in LEM Romania, by issuing 367,006 common shares of the Company at a fair value of \$165,152. As LEM Romania had no assets or liabilities at the time of acquisition of the initial interest, the Company has recorded the initial consideration as general exploration expenses.

The Company can acquire an additional 39% interest in LEM Romania (for an aggregate 90% interest) by issuing up to an additional 2,202,036 common shares, as follows:

- (i) 550,509 common shares following the granting of an exploration license within the Permit;
- (ii) 734,012 common shares on completion of a National Instrument 43-101 compliant resource estimate (the “Resource Estimate”) within the Permit; and
- (iii) 917,515 common shares on completion of a positive pre-feasibility study within the Permit.

The Company shall fund all exploration expenditures and is required to incur a minimum of EUR 150,000 on exploration expenditures on or before April 26, 2020.

The Company is also required to issued up to 8,074,136 common shares (the “Bonus Shares”), which will be based on certain historic resource estimates and the Resource Estimate.

A finder’s fee of 5% (the “Finder’s Fee”) will be paid in stages, concurrently with the issuance of common shares under the Share Purchase Agreement. On August 9, 2018 the Company issued 18,350 common shares, at a fair value of \$8,258 for the initial Finder’s Fee. The initial Finder’s Fee consideration was also recorded as general exploration expenses.

(ii) During fiscal 2018 the Company recorded an impairment charge of \$121,736 on the relinquishment of claims in Sweden and Finland.

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5. Property, Plant and Equipment

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Cost:						
Balance at October 31, 2017	81,147	287,018	344,139	7,567,878	9,487,156	17,767,338
Adjustment to site restoration	-	-	-	-	(42,742)	(42,742)
Balance at October 31, 2018	81,147	287,018	344,139	7,567,878	9,444,414	17,724,596
Addition	-	-	-	-	2,714	2,714
Adjustment to site restoration	-	-	-	-	(437,894)	(437,894)
Balance at July 31, 2019	<u>81,147</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>9,009,234</u>	<u>17,289,416</u>
Accumulated Depreciation:						
Balance at October 31, 2017	(53,451)	(248,224)	(49,484)	(110,218)	-	(461,377)
Depreciation	(6,720)	(8,079)	(22,013)	-	-	(36,812)
Balance at October 31, 2018	(60,171)	(256,303)	(71,497)	(110,218)	-	(498,189)
Depreciation	(5,040)	(3,193)	(16,349)	-	-	(24,582)
Balance at July 31, 2019	<u>(65,211)</u>	<u>(259,496)</u>	<u>(87,846)</u>	<u>(110,218)</u>	<u>-</u>	<u>(522,771)</u>
Carrying Value:						
Balance at October 31, 2018	<u>20,976</u>	<u>30,715</u>	<u>272,642</u>	<u>7,457,660</u>	<u>9,444,414</u>	<u>17,226,407</u>
Balance at July 31, 2019	<u>15,936</u>	<u>27,522</u>	<u>256,293</u>	<u>7,457,660</u>	<u>9,009,234</u>	<u>16,766,645</u>

During fiscal 2014 technical feasibility and commercial viability of the extraction of mineral resources at the Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Upon the transition, costs on the exploration and evaluation assets attributed to the mine were reclassified to property, plant and equipment. On August 1, 2015 the refurbishment and commissioning of the Woxna Graphite Mine was completed.

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. The discounted value is then accreted to the estimated future value over the period of the payment obligation. During fiscal 2017 the Company applied a discount rate of 17%. The obligation was fully accreted as at October 31, 2017.

A continuity of the property acquisition obligation for the Kringelgruven concession is as follows:

	\$
Balance at October 31, 2017	618,908
Foreign exchange adjustment	<u>(40,896)</u>
Balance at October 31, 2018	578,012
Foreign exchange adjustment	<u>(31,536)</u>
Balance at July 31, 2019	<u>546,476</u>

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6. 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 18 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 0.0% (October 31, 2018 - 0.67%) and an inflation factor of 1.0% (October 31, 2018 - 2.1%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	\$
Balance at October 31, 2017	7,711,413
Accretion	59,529
Revision of estimates	444,415
Foreign exchange adjustment	<u>(487,157)</u>
Balance at October 31, 2018	7,728,200
Accretion	39,600
Revision of estimates	26,940
Foreign exchange adjustment	<u>(464,834)</u>
Balance at July 31, 2019	<u>7,329,906</u>

As at July 31, 2019 reclamation deposits of \$99,631 (SEK 729,265) 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, 2019 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Nine Months Ended July 31, 2019

During November 2018 the Company completed a private placement financing of 6,027,855 units at a price of \$0.28 per unit for gross proceeds of \$1,687,799. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share, an exercise price of \$0.37 per share, expiring November 21, 2021. The Company paid finders' fees of \$6,384 cash.

The Company incurred \$30,635 legal and filing costs associated with this private placement.

At October 31, 2018 the Company had received \$410,000 on account of the private placement and incurred \$4,797 share issue costs.

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7. Share Capital (continued)

Fiscal 2018

No equity financing was conducted by the Company during fiscal 2018.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at July 31, 2019 and 2018 and the changes for the nine months ended on those dates is as follows:

	2019		2018	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	7,736,740	0.75	7,736,740	0.75
Issued	6,027,855	0.37	-	-
Balance end of period	13,764,595	0.58	7,736,740	0.75

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at July 31, 2019:

Number	Exercise Price \$	Expiry Date
4,010,376	0.70	December 14, 2019
3,726,364	0.80	May 3, 2020
6,027,855	0.37	November 21, 2021
13,764,595		

(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, 2019 the Company granted share options to purchase 2,393,109 (2018 - 2,717,500) common shares and recorded compensation expense of \$226,273 (2018 - \$1,168,525).

The fair value of share options granted was estimated using the Black-Scholes option pricing model using the following assumptions:

	2019	2018
Risk-free interest rate	1.47% - 1.89%	1.65%
Estimated volatility	84% - 89%	85%
Expected life	3 years - 5 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted, using the Black-Scholes option pricing model, during the nine months ended July 31, 2019 was \$0.09 (2018 - \$ 0.43) per share option.

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7. Share Capital (continued)

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, 2019 and 2018 and the changes for the nine months ended on those dates is as follows:

	2019		2018	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	8,575,000	0.47	6,152,500	0.39
Issued	2,393,109	0.20	2,717,500	0.64
Exercised	-	-	(400,000)	0.39
Expired	(1,355,000)	0.48	-	-
Forfeited	<u>(1,740,000)</u>	0.34	<u>-</u>	-
Balance end of period	<u>7,873,109</u>	0.40	<u>8,470,000</u>	0.47

The following table summarizes information about the share options outstanding and exercisable at July 31, 2019:

Number	Exercise Price \$	Expiry Date
210,000	0.20	October 18, 2019
3,520,000	0.39	October 14, 2021
643,109	0.165	January 11, 2022
1,050,000	0.225	May 30, 2022
2,300,000	0.64	November 2, 2022
<u>150,000</u>	0.33	August 14, 2023
<u>7,873,109</u>		

8. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

(a) During the nine months ended July 31, 2019 and 2018 the following compensation was incurred:

	2019 \$	2018 \$
Directors and officers compensation (current and former)	425,498	335,154
Share-based compensation	<u>-</u>	<u>892,250</u>
	<u>425,498</u>	<u>1,227,404</u>

As at July 31, 2019, \$58,000 (October 31, 2018 - \$31,500) remained unpaid and has been included in accounts payable and accrued liabilities.

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8. Related Party Disclosures (continued)

(b) 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, 2019 the Company incurred \$42,600 (2018 - \$46,000) for services provided by Chase personnel, exclusive of the CFO, and \$3,015 (2018 - \$3,015) for rent. As at July 31, 2019, \$335 (October 31, 2018 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended July 31, 2018 the Company also recorded \$53,750 for share-based compensation for share options granted to Chase.

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	July 31, 2019 \$	October 31, 2018 \$
Cash	FVTPL	667,992	1,184,420
Amounts receivable	amortized cost	115	658
Reclamation deposit	amortized cost	99,631	105,540
Accounts payable and accrued liabilities	amortized cost	(499,940)	(615,756)
Property acquisition obligation	amortized cost	(546,476)	(578,012)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for the reclamation deposit and property acquisition obligation approximate their fair value. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash, 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.

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9. Financial Instruments and Risk Management (continued)

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.

	Contractual Maturity Analysis at July 31, 2019				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	667,992	667,992	667,992	-	-
Amounts receivable	115	115	115	-	-
Reclamation deposit	99,631	99,631	-	-	99,631
Accounts payable and accrued liabilities	(499,940)	(499,940)	(499,940)	-	-
Property acquisition obligation	(546,476)	(546,476)	-	(546,476)	-

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, 2019, 1 Canadian Dollar was equal to SEK 7.32. Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	578,805	79,072
VAT receivable	79,886	45,998
Inventories	624,948	85,380
Plant stores and supplies	649,245	88,699
Reclamation deposit	729,265	99,631
Accounts payable and accrued liabilities	(838,642)	(114,569)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(546,476)</u>
	<u>(2,176,493)</u>	<u>(262,265)</u>

Based on the net exposures as of July 31, 2019 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 \$65,000 higher or lower.

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9. Financial Instruments and Risk Management (continued)

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.

10. Supplemental Cash Flow Information

During the nine months ended July 31, 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 \$	2018 \$
Operating activity		
Provision for site restoration	(437,894)	554,152
Investing activity		
Revisions of estimates on property, plant and equipment	437,894	(554,152)
Financing activities		
Issuance of common shares	410,000	108,000
Share issue costs	(4,797)	
Deferred share issue costs	4,797	-
Share subscriptions	(410,000)	-
Share-based payments reserve	-	(108,000)
	-	-

11. Segmented Information

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

	As at July 31, 2019				
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Finland \$	Mineral Operations Romania \$	Total \$
Current assets	697,853	314,424	4,734	1,058	1,018,069
Exploration and evaluation assets	-	16,203,874	-	-	16,203,874
Property, plant and equipment	-	16,766,645	-	-	16,766,645
Reclamation deposit	-	99,631	-	-	99,631
	697,853	33,384,574	4,734	1,058	34,088,219

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11. Segmented Information (continued)

	As at October 31, 2018				Total
	Corporate Canada	Mineral Operations Sweden	Mineral Operations Finland	Mineral Operations Romania	
	\$	\$	\$	\$	\$
Current assets	1,223,596	340,221	4,840	7,806	1,576,463
Exploration and evaluation assets	-	16,162,239	-	-	16,162,239
Property, plant and equipment	-	17,226,407	-	-	17,226,407
Reclamation deposit	-	105,540	-	-	105,540
Deferred costs	4,797	-	-	-	4,797
	<u>1,228,393</u>	<u>33,834,407</u>	<u>4,840</u>	<u>7,806</u>	<u>35,075,446</u>

12. Events after the Reporting Period

Subsequent to July 31, 2019 the Company:

- (i) granted share options to purchase 150,000 common shares at an exercise price of \$0.16 per share expiring August 18, 2020; and
- (ii) issued 150,000 common shares for proceeds of \$24,000 on the exercise of share options.