



# LEADING EDGE MATERIALS CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED JULY 31, 2024

This Management's Discussion and Analysis ("Interim MD&A") of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"), dated September 20, 2024, should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended July 31, 2024, and the most recent annual audited consolidated financial statements and annual Management's Discussion and Analysis. The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.leadingedgematerials.com](http://www.leadingedgematerials.com).

### Forward Looking Statements

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact, addressing activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in the Company's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and the Company's ability to attract and train key personnel; changes in world metal markets and equity markets beyond the Company's control; the possibility of write-downs and impairments; the risks associated with uninsurable risks arising during the course of exploration; development and production; the risks associated with changes in the mining regulatory regime governing the Company; the risks associated with tenure to the Norra Kärr property; the risks associated with the various environmental regulations the Company is subject to; rehabilitation and restitution costs; the Woxna project has never defined a mineral reserve or a feasibility study and the associated increased risk of technical and economic failure in case of restarting production; risks relating to the preliminary and non-binding nature of the MOU with Sicona.

Forward-looking statements relate, among other things, to statements regarding the future plans and objectives of Leading Edge Materials Corp., the feasibility study results, in-situ value, resource exploration and expansion results, future prospects of the Bihor Sud exploration permit or surrounding property, estimate of future metal prices, anticipated future revenue streams, and financing activities. It involves various risks assumptions, estimates and uncertainties that are based on current expectations and actual results may differ materially from those contained in such information. These risks, assumptions, estimates and uncertainties could adversely affect the outcome and financial effects of the plans and events described herein.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the Forward-Looking Statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such Forward-Looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such Forward-Looking Statements. Such Forward-Looking Statements has been provided for the purpose of assisting investors in understanding the Company's business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on Forward-Looking Statements. Forward-Looking Statements are made as of the date hereof, and the Company does not undertake to update such Forward-Looking Statements except in accordance with applicable securities laws.

## Corporate Overview

The Company was incorporated on October 27, 2010, under the *Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company on June 10, 2011. On February 22, 2012, the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. On August 25, 2016, the Company completed the acquisition of Tasman Metals Ltd. ("Tasman") and changed its name to Leading Edge Materials Corp. The Company's common shares trade on the TSXV as a Tier 1 mining issuer under the symbol "LEM", on the OTCQB under the symbol "LEMIF", on Nasdaq First North Stockholm under the symbol "LEMSE" and on Frankfurt under the symbol "7FL". The Company's principal office is located at 14th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1. The Company's strategy is focused on developing a portfolio of critical raw material projects located in the European Union. Critical raw materials are determined as such by the European Union based on their economic importance and supply risk. They are directly linked to high growth technologies such as batteries for electromobility and energy storage and permanent magnets for electric motors and wind power that underpin the clean energy transition towards climate neutrality. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Kärr Heavy Rare Earths ("HREE") project (Sweden) and the 51% owned Bihor Sud Nickel Cobalt exploration project (Romania).

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

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

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

## Highlights During and After the Quarter

During the three months ended July 31, 2024:

- On May 19, 2024, Mr. Kurt Budge was appointed Chief Executive Officer of the Company.
- On June 18, 2024, the Company announced that it has identified extensive Zn-Pb-Ag+/-Cu mineralization in galleries G2 and G7 at the Company's Bihor Sud Project in Romania.
- On July 23, 2024, the Company closed the first tranche of the private placement announced previously on July 15, 2024, issuing 34,400,000 common shares at a price of \$0.10/share for gross proceeds of CAD\$3,440,000.

Subsequent to July 31, 2024:

- On August 11, 2024, the Company announces that an application for Strategic Project designation for the Norra Kärr Heavy Rare Earths Project has been submitted. The European Commission indicated the first Strategic Projects list will be announced in December 2024.

## Outlook

2024 has marked a breakthrough year for policy support within the European Union, driving the development and exploration of critical raw materials projects.

The Critical Raw Materials Act (CRMA), adopted by the European Council on March 18, 2024, represents a potential game-changer for the Company's portfolio. The CRMA is at the forefront of the EU's efforts to build secure and sustainable supply chains for critical raw materials.

On May 23, 2024, the EU opened a call for Strategic Projects as defined by the CRMA. These projects are key to expanding the EU's capacity to extract, process, and recycle strategic raw materials, as well as diversifying supply sources from third countries. These materials are vital to the success of the green and digital transitions, and to the resilience of the defence and aerospace sectors.

Further supporting these goals, on July 31, the European Bank for Reconstruction and Development (EBRD) and the EU launched a joint facility aimed at providing equity investments of up to €100 million for the exploration of critical and strategic raw materials. This new initiative directly aligns with the EU's CRMA objectives and the REPowerEU Plan, both essential to the EU's green and digital transitions.

The EBRD has committed €25 million to the facility, which will be matched by the EU's Horizon Europe Programme under the InvestEU umbrella, with the goal of mobilizing an additional €50 million in investments.

### *Woxna Graphite Mine*

The CEO will be visiting Woxna at the beginning of October, meeting with the site team, and the County Administrative Board. The mine and plant remain on care and maintenance, while the Company continues to monitor market developments and consider commercial opportunities to restart operations.

As European policy development seeks to create new regional supply chains and reduce dependency on China, in June, the US announced 25% tariffs on imports of natural and synthetic graphite anodes from China, following the announcement in May of 25% tariffs on natural graphite imports beginning in 2026. Fastmarkets analyst Georgi Georgiev has said "graphite has emerged as Washington's 'Achilles Heel' in its trade confrontation with Beijing".<sup>[1]</sup>

As one of the few built and permitted graphite mines, Woxna is well-positioned to play a significant role in the production of natural flake graphite, a critical raw material, as feedstock to the European anode value chain or industrial graphite markets.

<sup>1</sup>The graphite fight: US tariffs trigger race to build non-Chinese supply chain, Financial Times, 9 June 2024, <https://www.ft.com/content/9117e5e6-baf9-4bdf-8080-9aa019ef1bfc>

#### *Norra Kärr Heavy Rare Earth Element (HREE) Project*

The Company submitted an application for Strategic Project status as defined by the CRMA in August. Given the volume of applications received, the EU is indicating that a decision on which projects are successful will now be made by mid-March 2025.

Also, the Company is working towards the completion of a mining lease application (Exploitation Concession or Bearbetningskoncession, "BK"), including Environmental Impact Assessment (EIA, Miljökonsekvensbeskrivning, "MKB"); with submission planned for Q4 2024. The EIA will respond to the valuable feedback received from stakeholders during the recent 3-month consultation process.

The latest mining lease application reflects the 2021 redesign of the project, that significantly enhances the project's sustainability while minimizing environmental impact. The revised plan cuts land usage by approximately 65%, limiting activities at the mine site to mining and the physical (non-chemical) concentration of mineralized ore. All chemical-based downstream processing will be conducted offsite at an industrial facility specifically permitted for such activities and ensuring strict environmental controls. The mine will produce a concentrate rich in heavy rare earth elements (HREEs), yielding valuable heavy rare earths, zirconium and niobium oxides, along with the industrial mineral nepheline syenite.

Norra Kärr has been designated a mineral deposit of national interest by the Swedish Geological Survey, due to its potential to supply rare earth elements (REEs) to both Sweden and Europe. As a key upstream asset, Norra Kärr HREE value chain. This would bolster the EU's self-reliance and reduce strategic dependence on China for HREEs.

As one of the largest HREE deposits globally—and the most advanced within the EU—Norra Kärr has the potential to become a cornerstone supplier for Western magnet producers<sup>2</sup>.

#### *Bihor Sud Nickel-Cobalt Exploration Project*

Drilling operations, initially delayed over the summer due to the late arrival of the drill rig and the implementation of robust health and safety protocols, are now in the final stages of preparation. Inspections and final works are underway, ensuring a safe and compliant start to the project. In July, the Company welcomed a new Chief Geologist, who is now on site, overseeing operations and finalizing the exploration plan. The primary objective is to identify a large-scale, mineable mineralization body. Early findings have already highlighted the strong potential for discovering a significant polymetallic deposit, reinforcing the project's exciting prospects.

<sup>2</sup> <https://www.fastmarkets.com/insights/rare-earth-magnet-production-outside-asia-gearing-up-2024-preview/>

## Financial Information

The report for the year ended October 31, 2024, is expected to be published on or about January 24, 2025.

## Selected Financial Data

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

| Three Months Ended              | Fiscal 2024         |                      |                        | Fiscal 2023            |                     |                      |                        | October 31, 2022 (Restated) |
|---------------------------------|---------------------|----------------------|------------------------|------------------------|---------------------|----------------------|------------------------|-----------------------------|
|                                 | July 31, 2024<br>\$ | April 30, 2024<br>\$ | January 31, 2024<br>\$ | October 31, 2023<br>\$ | July 31, 2023<br>\$ | April 30, 2023<br>\$ | January 31, 2023<br>\$ |                             |
| <b>Operations</b>               |                     |                      |                        |                        |                     |                      |                        |                             |
| Expenses                        | (797,070)           | (863,745)            | (660,617)              | (582,552)              | (313,950)           | (1,048,182)          | (489,432)              | (860,062)                   |
| Other items                     | (25,168)            | 4,216                | (25,311)               | 195,209                | (8,442)             | (187,421)            | (147,703)              | 308,721                     |
| Comprehensive profit/(loss)     | (822,238)           | (859,529)            | (685,928)              | (387,343)              | (322,392)           | (1,235,603)          | (637,135)              | (551,341)                   |
| Basic Profit/(loss) per share   | (0.00)              | (0.01)               | (0.00)                 | (0.00)                 | (0.00)              | (0.01)               | (0.00)                 | (0.00)                      |
| Diluted profit/(loss) per share | (0.00)              | (0.01)               | (0.00)                 | (0.00)                 | (0.00)              | (0.01)               | (0.00)                 | (0.00)                      |
| <b>Financial Position</b>       |                     |                      |                        |                        |                     |                      |                        |                             |
| Working capital                 | 3,973,458           | 1,610,635            | 2,316,098              | 2,713,098              | 848,952             | 1,344,044            | 2,124,643              | 1,365,657                   |
| Total assets                    | 28,454,783          | 24,991,481           | 26,003,943             | 25,387,449             | 23,584,544          | 24,181,654           | 24,845,430             | 23,832,418                  |
| Total non-current liabilities   | (5,683,545)         | (5,101,289)          | (5,489,843)            | (4,670,790)            | (5,109,575)         | (5,404,808)          | (5,556,603)            | (5,292,618)                 |

## Results of Operations

### *Three Months Ended July 31, 2024, Compared to Three Months Ended April 30, 2024*

During the three months ended July 31, 2024 ("Q3 2024") the Company reported a net loss of \$822,238 compared to a reported net loss of \$859,529 for the three months ended April 30, 2024 ("Q2 2024"), a decrease in loss by \$37,291, the decrease in loss mainly due to share based compensation expenses of \$133,295 (Q2 2024- \$349,923), research, development & general exploration expenses \$192,866 (Q2 2024 - \$94,017) and directors and officer's compensation of \$115,338 (Q2 2024- \$46,385).

### *Three Months Ended July 31, 2024, Compared to Three Months Ended July 31, 2023*

During the three months ended July 31, 2024 ("2024 period"), the Company reported a net loss of \$822,238 compared to a net loss of \$322,392 for the three months ended July 31, 2023 ("2023 period"), an increase in loss of \$499,846, the increase in loss mainly due to share based compensation of \$133,295 (Q3 2023- Nil), research, development & general exploration expenses of \$192,866 (Q3 2023- \$10,200), directors and officer's compensation of \$115,338 (Q3 2023- \$46,270) and Corporate development expense of \$87,320 (Q3 2023- \$8,822).

Specific expenses of note during three months ended July 31, 2024 are as follows:

- (i) incurred \$115,338 (2023 - \$46,270) for directors and officer's compensation.
- (ii) incurred \$48,840 (2023 - \$48,829) for listing and regulatory fees with respect to ongoing fees for the Company's listing of its common shares on the TSXV, Nasdaq First North and OTC exchanges.
- (iii) incurred a total of \$36,327 (2023 - \$37,998) for accounting and audit out of which the Company incurred \$14,707 (2023 - \$14,390) for accounting services of SKS Business Services along with \$6,072 (2023 - \$7,677) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred Research, development and general exploration expenses of \$192,866 (2023 - \$10,200);
- (v) incurred \$62,773 (2023 - \$34,716) in costs for operations;

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the three months ended July 31, 2024 the Company reported interest income of \$13,521 compared to \$9,047 during the three months ended July 31, 2023.

During the three months ended July 31, 2024, the Company recorded a foreign exchange loss of \$21,253 due to changes in exchange rates, compared to a loss of \$51,554 during the three months ended July 31, 2023.

#### *Financings*

During nine months ended July 31, 2024, 3,689,286 warrants were exercised for gross proceeds of \$368,929.

On 23rd July, 2024, the Company has closed a first tranche of the private placement, issuing 34,400,000 common shares at a price of \$0.10/share for gross proceeds of \$3,440,000. 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 an exercise price of \$0.20 per share, expiring July 23, 2028. The Company also paid finders' fees of \$3,000.

During nine months ended July 31, 2024, 9,650,000 stock options were granted at an exercise price of \$0.10.

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

During the year ended October 31, 2023, the Company completed a private placement financing of 21,739,130 units at a price of \$0.115 per unit for gross proceeds of \$2,500,000. The Company paid finders' fees of \$20,930 cash and issued 7,000 finder's warrants.

During the year ended October 31, 2023, 4,700,000 stock options were granted at an exercise price of \$0.195 and 700,000 stock options were granted at an exercise price of \$0.20.

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

During the three months ended July 31, 2024, the Company recorded a net loss of \$822,238 and, as of July 31, 2024, the Company had an accumulated deficit of \$49,217,995 and working capital of \$3,973,458. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs and is conducting ongoing research and development to produce higher value specialty products. The Company is also evaluating a potential restart of production at the Woxna Graphite Mine. The Company anticipates that it has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months however, it will need additional capital to provide working capital and recommence operations at the Woxna Graphite Mine, establish a production facility for the Anode Project, to fund future development of the Norra Karr Property or to complete exploration activities in Romania. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations.

#### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

#### **Proposed Transactions**

The company has no proposed transactions.

#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's critical accounting estimates is included in Note 3 to the October 31, 2023 audited annual consolidated financial statements.

### Changes in Accounting Policies

There is no change in accounting policy during the nine months ended July 31, 2024.

A detailed summary of all the Company's significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the October 31, 2023 audited annual consolidated financial statements.

### Related Party Transactions and Balances

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

(a) During the nine months ended July 31, 2024 and 2023 the following compensation was incurred:

|   | <b>2024</b>           | <b>2023</b>           |
|---|-----------------------|-----------------------|
|   | <b>\$</b>             | <b>\$</b>             |
| Mr. Kurt Budge, CEO <sup>(1)</sup>                            | 68,859                | -                     |
| Mr. Eric Krafft, director <sup>(1)</sup>                      | 24,300                | 23,300                |
| Mr. Lars-Eric Johansson, Chairman and director <sup>(1)</sup> | 24,300                | 23,300                |
| Mr. Daniel Major, director <sup>(1)</sup>                     | 24,303                | 23,310                |
| Mr. Sanjay Swarup, CFO <sup>(3)</sup>                         | 28,580                | 28,283                |
| Ms. Manuela Balaj-Coroiu, Corporate Secretary <sup>(4)</sup>  | 37,800                | 37,800                |
|   | <b><u>208,142</u></b> | <b><u>135,993</u></b> |

(1) Lars-Eric Johansson, Daniel Major and Eric Krafft were appointed as new Directors on May 4, 2020. Concurrently, a change in senior management was announced with the appointment of Mr. Filip Kozlowski as Chief Executive Officer ("CEO") who had resigned as a Director on the same date. On August 30, 2022 Filip Kozlowski resigned from the post of CEO effective on October 14, 2022 with Eric Krafft taking over as interim CEO. On May 19, 2024 Kurt Budge was appointed as Chief Executive Officer ("CEO").

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

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

(b) During the nine months ended July 31, 2024, the Company incurred \$43,894 (2023 - \$43,436) for accounting services of SKS Business Services.

- (c) In addition, during the nine months ending July 31, 2024 and 2023 the company incurred share-based compensation for key management personnel as follows:

|                          | <b>2024</b>           | <b>2023</b>           |
|--------------------------|-----------------------|-----------------------|
|                          | <b>\$</b>             | <b>\$</b>             |
| Mr. Eric Krafft          | 208,644               | 308,767               |
| Mr. Kurt Budge           | 110,224               | -                     |
| Mr. Lars-Eric Johansson  | 109,310               | 154,384               |
| Mr. Daniel Major         | 109,310               | 154,384               |
| Ms. Manuela Balaj-Coroiu | 13,883                | 43,161                |
| Mr. Sanjay Swarup        | 8,096                 | 15,438                |
| Mr. Filip Kozlowski      | 17,959                | -                     |
|                          | <b><u>577,426</u></b> | <b><u>676,134</u></b> |

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As of September 20, 2024, there were 225,351,949 issued and outstanding common shares 88,146,130 warrants outstanding with exercise prices ranging from \$0.20 to \$0.225 per share and 18,250,000 share options outstanding with exercise prices ranging from \$0.10 to \$0.62 per share.