GRID METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the December 31, 2019 consolidated financial statements of Grid Metals Corp. ("Grid" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on SEDAR, www.sedar.com. All amounts are in Canadian dollars, unless otherwise noted.

1. DATE
The date of this MD&A is April 29, 2020.

2. OVERALL PERFORMANCE

Grid Metals Corp. is focused on mineral exploration and development of mineral properties in Manitoba and Ontario. Key properties are 1) the Makwa-Mayville Nickel Copper PGM Cobalt Project in Manitoba where a NI-43101 Preliminary Economic Assessment was completed in April 2014 and 2) the East Bull Lake Platinum Palladium Property in Ontario which is at the exploration stage. The primary focus at East Bull is palladium dominant mineralization.

2019 - Activities

East Bull Lake Platinum Palladium Property

The Company refocused efforts on the East Bull Lake Property during the year due to the resurgence in the price of palladium. The price performance is due to a perceived structural deficit in market supply for palladium which is predominantly used in catalytic converters. With the global focus on reducing harmful auto emissions palladium saw its price rise dramatically. The strategic nature of the metal is highlighted by a lack of producing mines outside South Africa and Russia. The two North American producing mines were acquired by South African producers. The most recent transaction was the acquisition by Impala Platinum of North American Palladium Ltd in a C$1 billion deal.

The Company bolstered its land position in the East Bull Intrusion and on September 20, 2019 Grid announced the acquisition of unpatented mining claims covering the Parisien Lake Deformation Zone (PLDZ) – a key mineralized area of the East Bull Lake Intrusion. In the press release the Company noted the highly anomalous palladium values contained in the historical drilling completed on the claims. During the third quarter the Company commenced reconnaissance geological mapping and sampling at East Bull. The Company subsequently applied for and received a permit to drill in certain locations on the property.

Six widely spaced drill holes were drilled within the PLDZ claims in 2000. The six drill holes covered 600 meters of east-west strike length and contained promising palladium and platinum values. The drill holes intersected a similar style of mineralization identified by Grid in 2002 in a channel sampling and trenching program approximately 500 meters along strike to the west. In all, a drill target horizon with a 1.3 km strike length has been defined and will be a priority area for exploration at East Bull going forward. A number of other PGM mineralized horizons occur along the south margin of the East Bull Lake Intrusion which are being evaluated by the Company. Grid has an extensive database of exploration information covering the East Bull Lake Intrusion.

For further information and a map showing the location of the drill holes and the trenches at the PLDZ see the Grid website at https://gridmetalscorp.com/properties/east-bull-lake-pgm-property/ .

On December 16, 2019 the company announced it would be undertaking a drilling program at its East Bull Lake platinum palladium project. Subsequent to year end Grid appointed a new VP Exploration and Business Development Dr. Dave Peck. Dr Peck was the former VP Exploration of North American Palladium prior to the acquisition of North American Palladium by Impala. The Company has delayed drilling to employ a geophysical program using a magnetotelluric ("MT") survey. The MT survey has proven highly effective at locating disseminated sulfides at depth in similar geological settings. The MT survey commenced in March 2020.

Makwa/Mayville Property

During the year the Company undertook targeted exploration and development work at the Makwa Mayville Property. The price of nickel remained depressed and the Company determined that focusing resources on East Bull would have greater benefit for its shareholders.

On August 8, 2019 the Company announced results of its bench scale metallurgical test-work program for its Mayville Deposit. The program was successful in demonstrating copper and nickel separation from a bulk concentrate in order to produce quality nickel and copper concentrates. The test-work achieved significantly higher nickel recovery than in previous work. (nickel recovery was over 65%, vs 45% maximum recovery used in the Project's 2014 PEA – an increase of 44%).

The Company intends to undertake steps to assess the impact of the potential improvement in metal recoveries following the successful metallurgical program.

A summary of latest metallurgical results follows:

- Open cycle flotation testing on a new composite sample produced a bulk concentrate followed by separation into:
    - A nickel concentrate grading 10.7% nickel with 65.1% nickel recovery.
    - A copper concentrate grading 30.0% with 82.1% copper recovery.
- Both concentrates were deemed to exceed the quality requirements to be saleable to smelters.
- Cobalt reported to the nickel concentrate with a recovery of 62.5% and a grade of 0.66%.
- Platinum group metals (PGM) and silver recovered to both concentrates may provide potential value.
- Closed circuit simulation completed by XPS concluded that further improvements in nickel recovery and concentrate grade and copper recovery may be achievable. Modelling suggested nickel recovery of 68% at 11% concentrate grade and copper recovery of 90% at a 25% concentrate grade may be achieved based on the composite sample tested.

Results indicate a potential significant improvement in nickel recovery from the levels in the 2014 Preliminary Economic Analysis ("PEA")* for the Makwa Mayville Project. The average nickel recovery used in the PEA financial model for the Mayville Deposit was 41% with the highest recovery used in the PEA financial model of 45%. Therefore, the achievement of over 65% in bench scale test-work is highly significant given that the Mayville Deposit resource model contains approximately 48,000 tonnes of nickel (Indicated) and 9,000 tonnes of nickel (Inferred).

The improvement was achieved by utilizing a new bulk metals recovery flowsheet developed by XPS based on its experience with similar ores followed by copper/nickel separation.

In addition to the improved nickel recoveries a significant amount of cobalt was recovered to the nickel concentrate. Mineralogical work has shown the cobalt is associated with pentlandite, which is the predominant recoverable mineral containing nickel. Cobalt recovery was not assessed or valued in the PEA since cobalt had not been included in the Mayville resource model. The mineralogy and test-work completed by XPS has indicated that in the sample tested cobalt occurs with pentlandite bearing nickel at a ratio of approximately 1:16 (cobalt/nickel).

* The PEA (RPA April 2014) completed by the Company is preliminary in nature and includes inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the PEA will be realized.

Ian Ward P.Eng is overseeing the metallurgical program as a consultant to the Company and is a Qualified Person for NI 43-101 purposes and has approved the above scientific and technical information. The test program is being conducted under contract with XPS Expert Process Solutions, a Glencore Company, a Sudbury based technical consultancy and testing firm. XPS has extensive experience in flowsheet development and nickel-copper-cobalt ores.

Financings

During the year the Company raised $420,000 in private placements. Subsequent to year end an additional 1,399,996 was raised.

Financing proceeds are for exploration and working capital needs of the Company. A total of $170,000 of the financing was by way of an offering of flow-through shares. As of the date of writing the Company has incurred sufficient exploration expenditures to meet its obligations under the flow-through financing.

3. SELECTED ANNUAL INFORMATION

Selected audited annual information for the three most recently completed years, all reported under IFRS, are as follows:

Years ended December 31,	2019	2018	2017
	$	$	$
Net loss before provision for income taxes	(659,670)	(1,083,527)	(496,516)
Net loss after provision for income taxes	(659,670)	(1,040,527)	(33,516)
Basic and diluted loss per share	(0.02)	(0.02)	(0.00)
Total assets	28,864,272	29,167,517	30,384,979

4. DISCUSSION OF OPERATIONS

Overview

The following table provides selected financial information that should be read in conjunction with the consolidated financial statements of the Company for the three months and years ended December 31, 2019 and 2018.

	For the three months ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
	$	$	$	$
Operating expenses	(185,046)	(272,116)	(771,468)	(1,250,369)
Net loss	(74,571)	(75,065)	(659,670)	(1,040,527)
Net loss per share	(0.00)	(0.00)	(0.02)	(0.02)
Mining interests	27,691,470	27,498,006	27,691,470	27,498,006
Total assets	28,864,272	29,167,517	28,864,272	29,167,517

Revenues

None of the Company's properties have advanced to the point where a production decision can be made. As a consequence, the Company has no producing properties and no sales or revenues. From time to time the Company will earn interest from funds on deposit and other income.

The major expense items for the three months and years ended December 31, 2019 and 2018 are summarized as follows:

	For the three months ended December 31, $		For the years ended December 31, $	
	2019	2018	2019	2018
Office, general and administrative	43,055	58,785	146,250	279,689
Management and directors fees	60,250	64,750	253,000	258,999
Stock based compensation	9,000	-	45,000	-
Professional fees	25,234	97,555	253,597	350,764
Public company costs	36,354	5,566	60,933	52,789
Property due diligence costs	-	45,331	-	307,612
Other	11,153	129	12,688	516
	185,046	272,116	771,468	1,250,369

Exploration and Development Expenditures

	For the three months ended December 31, 2019 $			
	Makwa	Mayville	East Bull Lake	Total
Geological	10,051	2,517	-	12,568
Prospecting	-	-	18,608	18,608
Consulting	-	-	10,000	10,000
Total	10,051	2,517	28,608	41,176

	For the year ended December 31, 2019 $			
	Makwa	Mayville	East Bull Lake	Total
Geological	22,505	83,860	5,740	112,105
Prospecting	-	-	41,628	41,628
Consulting	-	29,731	10,000	39,731
Total	22,505	113,591	57,368	193,464

Property descriptions

MANITOBA

Makwa

The Makwa property is a nickel copper platinum group metal exploration project located near Lac du Bonnet, in south east Manitoba. During 2004, the Company acquired a 100% interest by acquiring all of the shares of Global Nickel Inc., a federally incorporated company that holds the mineral rights to the Makwa Property. To acquire the shares the Company paid $500,000 cash and issued 6,679,000 common shares valued at $0.43 per share, representing the quoted share price of the Company at the time of the transaction. The mineral rights of the Makwa Property consist of a mineral lease, a surface lease, and Exploration and evaluation assets claims held by the Company. An annual payment of approximately $10,000 must be made to the province of Manitoba to keep the mineral lease and surface lease in good standing. There is a 1.0%

NSR royalty on the Makwa property. The Company has the option to purchase 0.5% of the NSR royalty for $500,000.

Mayville
The Mayville property is a copper nickel platinum group metal exploration project located near Lac du Bonnet, in south east Manitoba. The Company acquired a cumulative 89% interest in the property (consisting of Exploration and evaluation assets claims) in 2005. A direct 60% interest was acquired from the vendor for consideration of $90,000 in cash, a note for $165,000 due 18 months from closing (which was paid during 2006), and 700,000 common shares of the Company (issued in 2005).

The additional 29% interest was acquired through the acquisition of a 72.56% interest in Maskwa Nickel Chrome Mines Limited ("MNCM"), a company which holds the remaining 40% interest in the Mayville property. The shares in MNCM were acquired through the issuance of 400,000 common shares of the Company and a cash payment of $120,000. A royalty payment in the amount of $210,000 will be due in five equal annual payments upon the commencement of commercial production on any portion of the MNCM property.

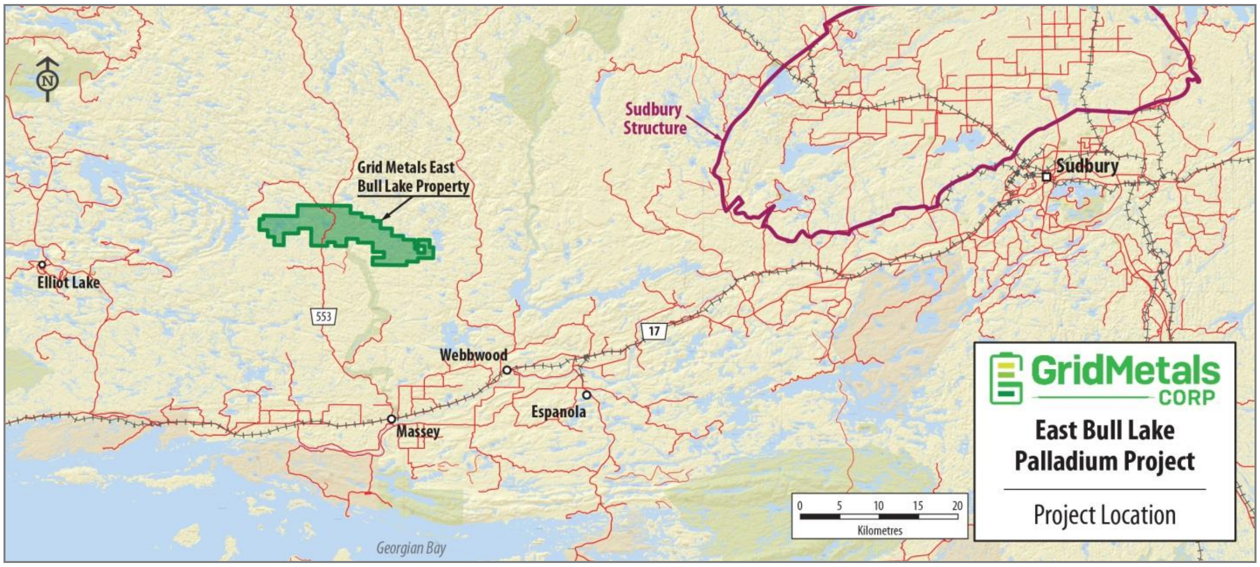
Mayville Lithium
The Mayville lithium property is a lithium and rare metals exploration project located near Lac du Bonnet, in south east Manitoba adjacent to the Mayville property. On June 30, 2010, the Company entered into an option agreement with Tantalum Mining Corporation of Canada Limited ("Tanco") and acquired a 100% interest in the base and precious metal rights of a property. Pursuant to the terms of the option agreement, the Company made cash option payments totaling $45,000, and incurred expenditures of $312,600. The Company acquired rights to lithium and rare metals on the property in 2017 in return for a retained right of Tanco, on normal commercial terms, to purchase products produced from the property. The property is subject to a 2% royalty interest.

ONTARIO
East Bull Lake Palladium
The East Bull Lake property ("EBL") is a platinum group metals ("PGM") exploration project located in the Sudbury Mining Division, Ontario, Canada. The property is comprised of mining claims primarily optioned from third parties. Most of the mining claims are subject to an NSR of up to 3% to the underlying option holders. Prior to 2019 a decision was made to halt exploration on the property and all prior costs were written off. Recent interest in palladium led to the decision to resume exploration on the property in 2019.

East Bull Lake

The EBL palladium property covers 80% of the highly prospective EBL intrusion. The intrusion is the type example of a series of palladium-rich mafic complexes that occur in the greater Sudbury region. These bodies formed during a major, global-scale episode of mafic and ultramafic magmatic activity that produced significant palladium, copper-nickel sulfide and chromite deposits in Canada, Scandinavia, Russia and Brazil approximately 2.5 billion years ago. The EBL intrusion shares many geological and geophysical characteristics with the older Lac des Iles (LDI) complex in northwestern Ontario – host to Canada's only primary palladium mine. Importantly, the EBL intrusion was recently confirmed to host the same style of structurally-controlled palladium mineralization that constitutes the majority of past and present palladium resources at LDI, which exceed 200 million tonnes of open pit and underground mineralization with over 10 million ounces of contained palladium. The EBL project is also directly analogous to palladium-rich sulfide deposits that occur in northern Finland including the Arctic Platinum project (APP) with current palladium resources totalling 208.5 Mt averaging 1.47 g/t Pd (9.8 million contained ounces). Despite its palladium pedigree, the EBL intrusion remains chronically under-explored compared to the much smaller LDI complex and to several similar-age intrusions in both Canada and Finland. The Company is now embarking on a new phase of systematic exploration on the property that is focused on the discovery of large, palladium-rich deposits having similar grade-tonnage attributes to the LDI and APP deposits. The new programming is guided by the significant knowledge gained from over 40 years of intermittent exploration at EBL and by recent, critical insights into the controls on the development of large palladium-rich deposits in similar geological environments.

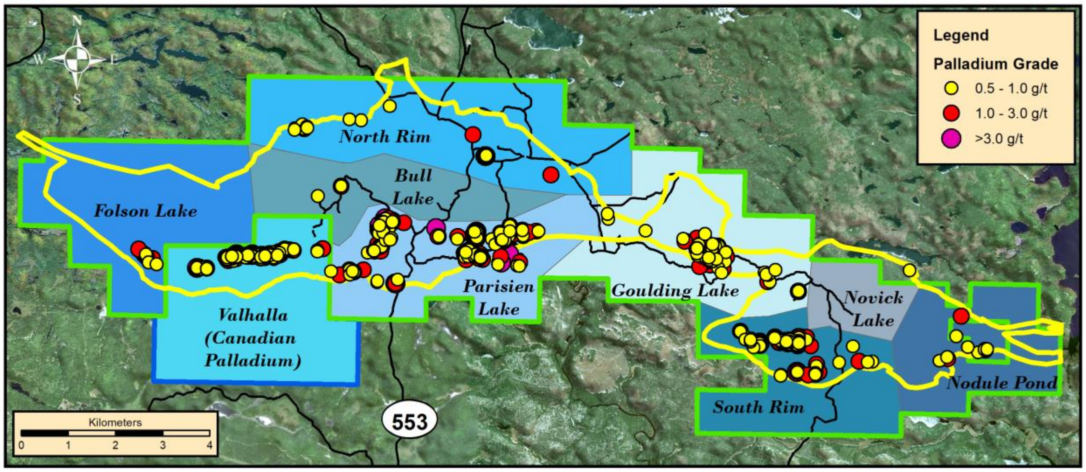
The property is easily accessible from the city of Sudbury, located 80 km to the east, by way of an all-weather Provincial road that connects to the Trans-Canada Highway. Sudbury is a world leading nickel, copper and platinum group metal ("PGM") mining and smelting centre with a highly skilled mining work force and a surface and underground mining heritage that spans ~150 years.



Location of the EBL property in the Sudbury area, northeastern Ontario.

The East Bull Lake intrusion is over 20 km long and comprises two magmatic centres (east and west lobes) connected by a narrow east-west trending 'neck'. The ultimate size of the intrusion is not known but limited deep drilling and 3D geophysical models suggest that the base of the two lobes locally exceed 1 km in depth and may extend much deeper. Critically, the property is cut by a network of criss-crossing northwest-trending and northeast-trending faults, any of which may have acted as feeder structures during emplacement of the EBL intrusion. These faults tend to produce strong, positive magnetic anomalies that reflect their infiltration by mafic dykes formed during the end-stages of magmatism associated with the EBL suite of intrusions. The internal geology of the EBL intrusion is well documented in a series of Ontario Government maps and reports and more recent academic publications. In brief, the intrusion is dominated by mafic rocks including melanocratic to leucocratic gabbronorite, olivine gabbronorite, pyroxenite and anorthosite. The lower part of the stratigraphy of the intrusion is dominated by brecciated anorthosite and leucocratic gabbronorite containing local patches of varitextured gabbronorite. This part of the intrusion represents a dynamic period of magma injection featuring high energy pulses of magma presumably channeled vertically through, and laterally away from, major feeder faults. The lower stratigraphy is the primary host to the many known palladium zones on the property.

The known distribution of palladium mineralization on the EBL property is illustrated on the map, below. Several palladium zones have been discovered over >30 years of intermittent prospecting and exploration. Most of these zones were initially thought to be related to the margins or basal contact of the intrusion. A recent re-assessment of the property data by Grid indicates a strong structural control on most of the known Pd zones on the property including a spatial association with cross-cutting faults representing potential feeders to the intrusion.



Bannockburn

The Bannockburn property is a nickel exploration project located in the Sudbury Mining Division, Ontario, Canada. The property package consists of mining claims obtained under option and staked by the Company. The Company has completed its option commitments to earn a 100% interest in the core claims comprising the Bannockburn property. The core part of the property is subject to a 2% NSR. All costs on the property have been written off in previous years.

5. SUMMARY OF QUARTERLY RESULTS

Selected financial information for the last 8 fiscal quarters:

	2019 Q4	2019 Q3	2019 Q2	2019 Q1
	$	$	$	$
(a) Net loss	(74,571)	(209,431)	(180,951)	(194,717)
(b) Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.00)

	2018 Q4	2018 Q3	2018 Q2	2018 Q1
	$	$	$	$
(a) Net income (loss)	(75,065)	(388,380)	(331,930)	(245,152)
(b) Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.00)

Comments on quarterly results

2019 – Q4

Results from the quarter were a loss of $74,571 (2018 - $75,065). Significant differences between the 2019 and 2018 periods were; professional and consulting fees amounted to $25,234 (2018 - $97,555); Due diligence costs Nil (2018 - $45,331); shareholder indemnification recovery $99,961 (2018 - $165,899); Deferred income tax recover Nil (2018 - $43,000).

2019 – Q3

Results from the quarter were a loss of $209,431 vs $388,380 for the 2018 period. During 2019 Q3 due diligence fees of nil were incurred (2018 - $163,933).

2019 – Q2

Results from the quarter were a loss of $180,951 vs $331,930 for the 2018 period. During 2019 Q2 professional fees of $87,838 were incurred (2018 Q2 - $148,588) and due diligence fees of nil were incurred (2018 Q2 - $98,348).

2019 – Q1

Results from the quarter were a loss of $194,717 vs $245,152 for the 2018 period. During 2019 Q1 professional fees of $3,612 were incurred (2018 Q1 - $28,710) and public company costs of $10,243 were incurred (2018 Q1 - $10,243). The higher costs during Q1 2018 are explained by increased activity in connection with due diligence on the Cobalt Road Project.

6. LIQUIDITY

The Company has no significant revenues and no expectation of significant revenues in the near term. The cash position of the Company is reduced as exploration and overhead expenses are incurred.

The Company has working capital at December 31, 2019 of $971,206 (December 31, 2018 – $1,431,305).

During 2015, the Company's flow-through renunciation and related expenditures from 2010 to 2013 were audited by the Canadian Revenue Agency ("CRA"). CRA determined that certain amounts reported as eligible expenditures did not qualify as such. The Company has recorded a liability in the amount of $100,000 at December 31, 2019 which management estimates is adequate to cover potential future claims.

7. CAPITAL RESOURCES

During the nine months ended December 31, 2019, except for the private placements described herein, there were no unusual factors that affected the Company's capital resources.

8. OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019 and 2018, the Company did not have any off-balance sheet arrangements.

9. TRANSACTIONS BETWEEN RELATED PARTIES

Director's fees, professional fees and other compensation of directors and key management personnel were as follows for the years ended December 31:

	2019	2018
	$	$
Short-term compensation and benefits	**253,000**	258,996
Share-based payments (stock option grants)	**-**	-
Total key management compensation	**253,000**	258,996

Legal fees were charged by a legal firm during the year ended December 31, 2019, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of $20,880 (2018 - $113,230). Accounts payable and accrued liabilities includes $2,838 owing to the legal firm (2018 – $1,800).

Amounts due to related parties included in accounts payable are unsecured, non-interest bearing and due on demand.

See also Note 8 to the December 31, 2019 financial statements.

10. PROPOSED TRANSACTIONS

There are no proposed transactions other than normal ongoing activities.

11. CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Capitalization of mining interest costs
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Impairment of mining interests and capital assets
While assessing whether any indications of impairment exist for mining interest assets and capital assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, and economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mining interest assets. Internal sources of information include the manner in which mining interest assets and capital assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining interests, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and capital assets.

Income taxes and recoverability of potential deferred tax assets
The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting year.

Share-based payments
Management determines the valuation of share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards and warrants are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments may include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Commitments and contingencies
Refer to Notes 6 and 9 of the Company's December 31, 2019 consolidated financial statements.

12. ACCOUNTING CHANGES

During the year ended December 31, 2019, the Company adopted IFRS 16, Leases, which resulted in changes in accounting policy as described below. In accordance with the transitional provisions in the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2019.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases, as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. Effective January 1, 2019, the Company adopted this standard using the modified retrospective approach, under which the cumulative effect of initial application was recognized in accumulated deficit at January 1, 2019.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 Leases ("IAS 17") and its interpretive guidance. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset.

Upon transition to the new standard, lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities were recognized on the consolidated statement of financial position with the cumulative difference recognized in accumulated deficit. The Company reports its right-of-use asset as part of property, plant and equipment on the consolidated statement of financial position.

At transition, lease liabilities of $26,023 and right-of-use assets of $26,023 were recognized in the consolidated statement of financial position.

For contracts entered into subsequent to January 1, 2019, at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contacts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

13. FINANCIAL ASSETS, AND OTHER INSTRUMENTS

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either Fair Value through Profit or Loss ("FVPL") or Fair Value through Other Comprehensive Income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of earnings (loss) when the right to receive payments is established.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of earnings (loss). The Company's marketable securities are classified as financial assets at FVPL.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities
Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and lease obligations, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

Credit Risk
The Company's credit risk is primarily attributable to accounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instrument included in amounts receivable is remote.

Liquidity Risk
The Company's main source of liquidity is derived from its common stock issuances. As at December 31, 2019, the Company had current assets of $1,157,932 (December 31, 2018 - $1,667,975) to settle current liabilities of $186,726 (December 31, 2018 - $236,671). All the Company's financial liabilities have contractual maturities that are subject to normal trade terms.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

Market Risk
<u>Foreign Currency Risk</u>
The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.
<u>Price Risk</u>
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

Sensitivity Analysis
Management's view with respect to interest rate and foreign exchange risks is as follows:
(i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
(ii) The Company does not have exposure to foreign exchange risk.

Land access and permitting
The Company is required to obtain permits to conduct exploration and evaluation activities on its properties and part of that process requires consultations with First Nations. In management's view there is uncertainty concerning the First Nation's consultation process, and there are risks of permitting delays. The impact of any delays on the Company's operations is unknown.

Operating Risk
All assets of the Company are either at the exploration or development stage. The Company faces a number of risks to the successful exploration and/or development of its properties. These include the availability of capital, technical risk, permitting risk and environmental risk. There is no certainty the Company will be able to fund or complete the required work in order to build a mine or profitably divest any of its assets. The Company is required to engage with First Nations in order to obtain exploration permits and there is ongoing uncertainty with respect to the permitting process.

14. SUBSEQUENT EVENTS

On February 18, 2020 the Company announced it had closed a non-brokered private placement of units of the Company for gross proceeds of $1,399,996. The Company issued a total of 10,769,200 units of the Company at a price of $0.13. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 per common share for a period of 36 months from closing.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

15. DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

Common Shares

As at December 31, 2019, and the date hereof, there were 46,276,610 and 58,625,810 common shares respectively of the Company outstanding (December 31, 2018 – 42,416,610).

Warrants

At December 31, 2019 and the date hereof there were a total of 15,161,285 and 21,045,885 warrants respectively outstanding (December 31, 2018 – 12,661,285).

Options

At December 31, 2019, and the date hereof, there were a total of 2,305,000 and 4,625,000 respectively stock options outstanding (December 31, 2018 – 1,855,000).

Restricted Stock Units

At December 31, 2019, and the date hereof, there were a total of Nil and 300,000 respectively restricted stock units outstanding (December 31, 2018 – Nil).

Directors and officers of the Company

Robin E. Dunbar	President, Chief Executive Officer and Director
Nadim Wakeam	Corporate Secretary
Rodger Roden	Chief Financial Officer
Edward Munden	Director
Thomas Meredith	Director

Dave Peck P.Geo, is the Qualified Person for Grid Metals Corp. for purposes of National Instrument 43-101 and has reviewed the technical content of this document.

Additional Information

Additional information about the Company including the financial statements, press releases and other filings are available on the internet at www.sedar.com and additional supplemental information is available on the Company website at www.gridmetalscorp.com.