



**GRID METALS CORP.**

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2020**

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**Notice of no auditor review of interim financial statements:**

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

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these interim unaudited condensed consolidated financial statements.

**GRID METALS CORP.****INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT**

(In Canadian dollars)

	March 31,	
	2020	2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$1,865,181	\$1,088,604
Marketable securities, (Note 5)	40,275	49,720
Amount receivable from a government	49,707	11,188
Prepays	21,347	8,420
Total current assets	1,976,510	1,157,932
<b>EXPLORATION AND EVALUATION ASSETS, (Note 6)</b>	<b>27,926,839</b>	27,691,470
<b>CAPITAL ASSETS, (Note 7)</b>	<b>12,376</b>	14,870
<b>Total assets</b>	<b>\$29,915,725</b>	\$28,864,272
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities, (Notes 9 and 11)	\$291,944	\$123,839
Lease obligations, (Note 10)	11,287	11,287
Un-renounced flow through share premium, (Note 8(a))	-	51,600
Total current liabilities	303,231	186,726
<b>Non-current</b>		
Long term lease obligations, (Note 10)	1,298	3,889
<b>Total liabilities</b>	<b>304,529</b>	190,615
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, (Note 8)	50,679,107	49,717,593
Contributed surplus	8,088,698	7,343,571
Deficit	(29,156,609)	(28,387,507)
<b>Total shareholders' equity</b>	<b>29,611,196</b>	28,673,657
<b>Total liabilities and shareholders' equity</b>	<b>\$29,915,725</b>	\$28,864,272

Going concern (Note 2)

Commitments and contingencies (Notes 6 and 9)

Subsequent events (Note 14)

**Approved on Behalf of the Board**'Thomas W. Meredith' Director'Robin Dunbar' Director

**GRID METALS CORP.****INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(In Canadian dollars)

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	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Expenses</b>		
Office, general and administrative	\$ 266,059	\$ 38,364
Management fees and directors fees (Note 11)	105,250	64,750
Share-based payments, (Note 8(b))	445,400	-
Professional and consulting fees	77,026	89,445
Amortization, (Note 7)	2,494	1,536
Public company costs	10,810	10,243
Flow-through share premium (Note 8(a))	(51,600)	-
<b>Loss from operations before the undernoted</b>	<b>(855,439)</b>	<b>(204,338)</b>
Other income (loss)	(6,663)	9,621
<b>Net loss and comprehensive loss for the period</b>	<b>(862,102)</b>	<b>(194,717)</b>
<b>Loss per share</b>		
Basic and diluted	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	48,488,131	42,416,610

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

**GRID METALS CORP.****INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

(In Canadian dollars)

	# of shares	Amount \$	Surplus \$	Deficit \$	Total \$
<b>Balance, December 31, 2018</b>	<b>42,416,610</b>	<b>49,440,113</b>	<b>7,218,571</b>	<b>(27,727,837)</b>	<b>28,930,847</b>
Net loss for the period	-	-	-	(194,717)	(194,717)
<b>Balance, March 31, 2019</b>	<b>42,416,610</b>	<b>49,440,113</b>	<b>7,218,571</b>	<b>(27,922,554)</b>	<b>28,736,130</b>
<b>Balance, December 31, 2019</b>	<b>46,276,610</b>	<b>49,717,593</b>	<b>7,343,571</b>	<b>(28,387,507)</b>	<b>28,673,657</b>
Common shares issued in connection with unit private placements (Note 8(a))	11,269,123	1,449,986	-	-	1,449,986
Fair value assigned to warrants issued in connection with the private placement (Note 8(c))	-	(392,727)	392,727	-	-
Cash share issue costs (Note 8(a))	-	(95,745)	-	-	(95,745)
Stock options granted (Note 8(b))	-	-	445,400	-	445,400
Options expired (Note 8(b))	-	-	(93,000)	93,000	-
Net loss for the period	-	-	-	(862,102)	(862,102)
<b>Balance, March 31, 2020</b>	<b>57,545,733</b>	<b>50,679,107</b>	<b>8,088,698</b>	<b>(29,156,609)</b>	<b>29,611,196</b>

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

**GRID METALS CORP.****INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31,**

(In Canadian dollars)

	2020	2019
<b>Cash flows used in operating activities</b>		
Net loss for the period	\$ (862,102)	\$ (194,717)
Adjustments not affecting cash		
Amortization	2,494	1,536
Flow-through share premium	(51,600)	-
Share based payments	445,400	-
Changes in non-cash working capital		
Amounts receivable	(38,518)	(41)
Un-realized loss on marketable securities	9,445	(2,500)
Prepays	(12,927)	19,160
Accounts payable and accrued liabilities	168,105	62,225
<b>Cash flows used in operating activities</b>	<b>(339,703)</b>	<b>(114,337)</b>
<b>Cash flows used in investing activities</b>		
Increase in exploration and evaluation assets	(235,369)	(64,742)
<b>Cash flows used in investing activities</b>	<b>(235,369)</b>	<b>(64,742)</b>
<b>Cash flows from financing activities</b>		
Payment of lease obligations	(2,591)	-
Issuance of common shares	1,449,986	-
Share issue costs	(95,745)	-
<b>Cash flows provided by financing activities</b>	<b>1,351,649</b>	<b>-</b>
Change in cash for the period	776,577	(179,079)
Cash, beginning of period	1,088,604	1,471,993
<b>Cash, end of period</b>	<b>\$ 1,865,181</b>	<b>\$ 1,292,914</b>

## GRID METALS CORP.

### NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

(In Canadian dollars)

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#### 1. GENERAL INFORMATION

Grid Metals Corp. (the "Company") was incorporated under the laws of Ontario on July 15, 1997 and is engaged in the business of exploring and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues. The principal business address of the Company is 3335 Yonge Street, Suite 304 Toronto, Ontario, M4N 2M1.

The interim unaudited condensed consolidated financial statements of the Company for the three months ended March 31, 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors on May 27, 2020.

#### 2. GOING CONCERN

The Company's ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and political uncertainty.

The Company has cumulative operating losses at March 31, 2020. The Company expects to incur further losses in the exploration and development of its properties. The Company will have an ongoing need for equity financing for working capital and exploration and development of its properties.

These interim unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying interim unaudited condensed consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

Details of deficit and working capital of the Company are as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Deficit	29,214,609	28,387,507
Working capital	1,673,279	971,206

#### 3. BASIS OF PREPARATION

These interim unaudited condensed consolidated financial statements are presented in accordance with IFRS and in

particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”).

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of consolidation**

These interim unaudited condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

These interim unaudited condensed consolidated financial statements include the accounts of the Company; its 72.56% owned Maskwa Nickel Chrome Mines Limited, a Manitoba corporation; and its wholly-owned subsidiary, Global Nickel Inc., a Canadian federally incorporated company. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

##### **Basis of measurement**

These interim unaudited condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for those financial instruments recorded at Fair Value through Profit and Loss and have been prepared using the accrual basis of accounting except for cash flow information.

##### **Exploration and evaluation assets – acquisition costs and exploration expenditures**

Acquisition costs and exploration expenditures relating to properties that are incurred after the legal right to explore has been obtained are capitalized until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned, impaired or sold and their related capitalized exploration costs are expensed to operations in the year of abandonment or sale. The amounts shown as Exploration and evaluation assets represent unamortized costs to date and do not necessarily reflect present or future values.

Costs include the cash consideration and the fair market value of shares issued for the acquisition and exploration of properties. The carrying value is reduced by option proceeds received until such time as the exploration property, acquisition assets and exploration and evaluation assets are reduced to nominal amounts. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation assets in respect of that property are assessed as impaired and written off to the consolidated statement of operations. The Company also assesses exploration and evaluation assets for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

##### **Provisions and decommissioning liabilities**

Provisions, which include decommissioning liabilities, are liabilities that are uncertain in timing or amount. The Company records a provision when:

- (i) the Company has a present obligation, legal or constructive, as a result of a past event;
- (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and
- (iii) a reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company’s actions where:

- (i) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

## **GRID METALS CORP.**

### **NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2020**

(In Canadian dollars)

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- (ii) as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting year and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting year. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each year to reflect the passage of time. This increase (accretion expense) is included in finance costs in the consolidated statement of operations.

The Company did not have any material reclamation provisions or decommissioning liabilities as at March 31, 2020 and 2019.

#### **Loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. During the periods ended March 31, 2020 and 2019, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

#### **Income taxes**

Income tax expense comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

##### **Current income tax**

Current income tax expense is based on the results for the year as adjusted for items that are not taxable and not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting year. Management at the end of each reporting year evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **Deferred income tax**

Deferred income taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the financial statements and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the asset and liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

#### **Flow-through share financings**

The Company periodically finances a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor (referred to as renunciation). Proceeds received on the issuance of such shares up to the value of similar non-flow through shares are credited to capital stock and any difference between that amount and the issue price is recognized as a flow-through share premium and recognized as a liability in the consolidated statement of financial position. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred income tax liability and corresponding deferred income tax expense is recognized and the liability previously recorded as a flow through share premium is recorded to flow-through share premium income. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred income tax liability and record a recovery on the consolidated statement of operations. The related exploration costs are charged to exploration and evaluation assets.



**Foreign currency translation**

The Canadian dollar is the functional and reporting currency of the Company's operations. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the rate at the time of the transaction. Any resulting gain or loss is recorded in the consolidated statement of operations.

**Share-based payments**

The Company applies the fair value method of accounting for share-based payments granted to employees and other individuals providing similar services. The fair value of options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Each tranche of an option that vests over time is considered a separate award and the fair value of each tranche is expensed over its vesting period with the corresponding credit to contributed surplus. The fair value of options granted is recorded in contributed surplus. Cash consideration received from employees on exercise of options is credited to share capital along with the original grant date fair value of the options exercised. The value of options forfeited before vesting is removed from the option reserve and credited to operations, while the value of options that expire after vesting is credited directly to deficit.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the estimated fair value of the share-based payments are used. The measurement date is generally the date the goods or services are received.

**Warrants**

All warrants issued are valued on the date of grant using the Black-Scholes option pricing model, net of related issue costs and are recorded in contributed surplus.

**Capital assets****Recognition and Measurement**

Capital assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Right-of-use assets are measured at the present value of the related obligation discounted by the Company's incremental borrowing rate

**Amortization**

Equipment and automobile are depreciated annually on a straight-line basis using rates of 20% and 30% respectively. Right-of-use assets are amortized on a straight-line basis over the life of the related obligation.

**Segmented information**

The Company conducts all of its operations in Canada in one business segment.

**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, 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.

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of these interim unaudited condensed 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 exploration and evaluation assets 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 exploration and evaluation assets and capital assets

While assessing whether any indications of impairment exist for exploration and evaluation 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 exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation 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 Exploration and evaluation assets, 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 Exploration and evaluation assets 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.

**GRID METALS CORP.****NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

(In Canadian dollars)

**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.

**Contingencies**

Refer to Notes 6 and 9.

**5. MARKETABLE SECURITIES****Marketable securities:**

The Company's marketable securities have been designated as FVPL and are reported at fair value based on quoted market prices as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Aquila Resources Inc.	24,628	36,406
Other	15,647	13,314
	40,275	49,720

**GRID METALS CORP.****NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

(In Canadian dollars)

**6. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS**

For the three months ended March 31, 2020

<b>MANITOBA</b>	December 31, 2019	Acquisition	Exploration	March 31, 2020
Makwa	\$ 16,488,851	\$ -	\$ 436	\$ 16,489,287
Mayville	10,599,808	-	10,742	10,610,550
Mayville lithium	545,444	-	-	545,444
<b>ONTARIO</b>				
East Bull Lake	57,367	-	224,191	281,558
	<b>\$ 27,691,470</b>	<b>-</b>	<b>\$ 235,369</b>	<b>\$ 27,926,839</b>

For the year ended December 31, 2019

<b>MANITOBA</b>	December 31, 2018	Acquisition	Exploration	December 31, 2019
Makwa	\$ 16,466,345	\$ -	\$ 22,506	\$ 16,488,851
Mayville	10,486,217	-	113,591	10,599,808
Mayville lithium	545,444	-	-	545,444
<b>ONTARIO</b>				
East Bull Lake	-	-	57,367	57,367
	<b>\$ 27,498,006</b>	<b>-</b>	<b>\$ 193,464</b>	<b>\$ 27,691,470</b>

It is in the normal course of business for the Company to acquire and divest exploration and evaluation assets claims based on the results of exploration. Certain of the properties are subject to a Net Smelter Return royalty ("NSR") payable on future mineral production.

**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

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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. There is a 2% royalty on this property.

**ONTARIO****EAST BULL LAKE**

The East Bull Lake property (“EBL”) is a platinum group metals (“PGM”) exploration project located in the Sudbury Mining Division, Ontario, Canada. The Company has fulfilled its commitments to earn a 100% interest in the exploration and evaluation assets claims comprising the EBL property. The property is 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 commence exploration on the property in 2019.

**BANNOCKBURN**

The Bannockburn property is a nickel exploration project located in the Sudbury Mining Division, Ontario, Canada. The property package consists of optioned exploration and evaluation assets claims and staked exploration and evaluation assets claims. 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.

**7. CAPITAL ASSETS**

	Equipment	Automobile	Right-of-Use Assets	Total
	\$	\$	\$	\$
Cost				
Balance at December 31, 2018	96,956	32,687	-	129,643
Additions	-	-	26,022	26,022
Balance December 31, 2019 and March 31, 2020	96,956	32,687	26,022	155,665
Amortization				
Balance December 31, 2018	96,142	31,965	-	128,107
Amortization for the year	814	722	11,152	12,688
Balance December 31, 2019	96,956	32,687	11,152	140,795
Amortization for the period	-	-	2,494	2,494
Balance March 31, 2020	96,956	32,687	13,646	143,289
Net book value				
Balance December 31, 2019	-	-	14,870	14,870
Balance March 31, 2020	-	-	12,376	12,376

**8. CAPITAL STOCK**

**(a) Common shares**

**Authorized**

The authorized capital stock of the Company consists of an unlimited number of common shares.

During the period ended March 31, 2020 the following common share activity occurred:

- a. On January 15, 2020, the Company issued a total of 500,000 units at \$0.10 each under a private placement for total gross proceeds of \$50,000; each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per share for a period of two years from the date of issuance.
- b. On February 14, 2020, the Company issued a total of 10,769,123 units at \$0.13 each under a private placement for total gross proceeds of \$1,399,986; each unit consisted of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per share for a period of three years from the date of issuance. The Company paid share issue costs of \$95,744 and issued 471,096 broker warrants in connection with the private placement; each finder's warrant is exercisable at \$0.20 for a period of three years.

During the year ended December 31, 2019 the following common share activity occurred:

- a. On November 29, 2019, the Company issued a total of 2,500,000 units under a private placement for total gross proceeds of \$250,000, with each unit consisting of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per share for a period of two years from the date of issuance. The Company paid cash finder's fees of \$10,920 in connection with the private placement. The warrants have been valued at \$80,000 using the Black-Scholes option pricing model.
- b. On November 29, 2019 and March 31, 2020, the Company issued a total of 1,360,000 flow-through common shares under private placements for total gross proceeds of \$170,000. The flow-through share premium has been estimated at value of \$51,600. The Company's President subscribed for and purchased 200,000 of the flow-through shares.

**(b) Stock option plan and stock-based compensation**

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares.

The following summarizes the employees, directors, officers and consultants' stock options that have been granted, exercised, expired, vested or cancelled during the three months ended March 31, 2020 and the year ended December 31, 2019.

	Number of Options	Weighted Average Exercise Price \$
<b>Balance, December 31, 2018</b>	1,855,000	0.35
Options granted	450,000	0.15
<b>Balance, December 31, 2019</b>	<b>2,305,000</b>	<b>0.31</b>
Options granted	2,620,000	0.25
Options expired	(550,000)	0.15
<b>Balance, March 31, 2020</b>	<b>4,375,000</b>	<b>0.29</b>



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On August 21, 2019, 450,000 options were granted, exercisable at \$0.15, and that vested immediately. The options expire on August 21, 2024, and have been valued at \$45,000 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	157%
Risk-free interest rate	1.27%
Expected average life	5 years

On February 27, 2020, 2,620,000 options were granted, exercisable at \$0.25, and that vested immediately. The options expire on February 26, 2025, and have been valued at \$394,400 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	142%
Risk-free interest rate	1.14%
Expected average life	5 years

During the period ended March 31, 2020, 550,000 options expired. The original fair value of those options was estimated to be 93,000 which amount was transferred from contributed surplus to deficit.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2020:

Weighted average exercise price \$	Number of options outstanding and exercisable	Expiry date
0.35	1,655,000	November 1, 2022
0.15	100,000	August 21, 2024
0.25	2,620,000	February 26, 2025
<b>0.29</b>	<b>4,375,000</b>	

**(c) Warrants**

During the period ended March 31, 2020 the Company had the following warrant activity:

- On January 15, 2020, the Company issued a total of 500,000 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per share for a period of two years from the date of issuance. The warrants have been valued at \$18,462 using the Black-Scholes option pricing model.
- February 14, 2020, the Company issued a total of 5,855,658 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per share for a period of three years from the date of issuance. The warrants have been valued at \$374,266 using the Black-Scholes option pricing model.

The warrant values noted above in a. and b. have been estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	142%
Risk-free interest rate	1.44% to 1.63%
Expected average life	2 and 3 years.

During 2019 the Company had the following warrant activity:

On November 29, 2019, the Company issued a total of 2,500,000 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per share for a period of two years from the date of issuance. The warrants have been valued at \$80,000 using the Black-Scholes option pricing model based on the following



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weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	123%
Risk-free interest rate	1.58%
Expected average life	2 years.

A summary of warrant activity for the year ended December 31, 2019 and the period ended March 31, 2020 is as follows:

	Number of Warrants	Weighted-average exercise price (\$)
<b>Balance, December 31, 2018</b>	<b>12,661,285</b>	<b>0.25</b>
Warrants issued under a private placement	2,500,000	0.15
<b>Balance, December 31, 2019</b>	<b>15,161,285</b>	<b>0.23</b>
Warrants issued under a private placement	500,000	0.15
Warrants issued under a private placement	5,855,658	0.20
<b>Balance, March 31, 2020</b>	<b>21,516,943</b>	<b>0.22</b>

As at March 31, 2020, the following common share purchase warrants were outstanding:

Expiration date	Number of Warrants	Exercise Price (\$)
October 26, 2020	8,146,800	0.150
November 27, 2020	2,102,857	0.450
December 19, 2020	1,842,878	0.450
December 28, 2020	268,750	0.450
November 19, 2021	2,500,000	0.150
December 19, 2021	300,000	0.175
January 14, 2022	500,000	0.150
February 13, 2023	5,855,658	0.200
<b>Balance, March 31, 2020</b>	<b>21,516,943</b>	<b>0.223</b>

**9. COMMITMENTS AND CONTINGENCIES**

See Note 6 for details of other commitments and contingencies.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

During 2019 flow-through common shares were issued in the amount of \$170,000, and as a result the Company must spend at least \$170,000 on eligible exploration expenses during 2020, which amount has now been spent.

During 2015, the Company's flow-through renunciation and related expenditures from 2010 to 2013 were audited by

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the Canada Revenue Agency (“CRA”). CRA determined that certain amounts reported as eligible expenditures did not qualify as such and the Company has recorded a liability in the amount of \$100,000 at March 31, 2020 (2019 - \$200,000).

An employment contract between the Company and its President provides for the following:

- a) Upon termination without cause the president is entitled to one month’s severance for every year since 1998 to a maximum of twenty-four months, plus a prospective bonus equal to the greater of the last bonus paid to the president or 75% of his then annual salary. In this instance the estimated contingent liability would amount to approximately \$437,000.
- b) In the event of a change of control if the President is terminated, or constructively dismissed, within six months of the change of control the President is entitled to two year’s remuneration plus a prospective bonus equal to the greater of two times the average annual bonus paid to the president or one year’s annual remuneration. In this instance the estimated contingent liability would amount to approximately \$525,000

As a triggering event has not occurred, these contingent obligations have not been recorded in these financial statements.

**10. LEASE OBLIGATIONS**

The Company has a lease for office premises in the amount of \$983 per month base rent, until April 30, 2021. The Company recognized a right-of-use asset and corresponding lease obligations related to the office premises, analyzed as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	15,176	26,022
Interest	178	944
Payments	(2,769)	(11,790)
Balance, December 31, 2019	12,585	15,176
Current portion of lease obligations	(11,287)	(11,287)
Long-term portion of lease obligations	1,298	3,889

**11. RELATED PARTY TRANSACTIONS**

Director’s fees, professional fees and other compensation of directors and key management personnel were as follows for the periods ended March 31:

	2020	2019
	\$	\$
Short-term compensation and benefits	<b>150,623</b>	64,750
Share-based payments (stock option grants)	<b>362,100</b>	-
<b>Total key management compensation</b>	<b>512,723</b>	64,750

Amounts due to key management personnel included in accounts payable amounted to \$17,854 (2019 – 4,520)

Legal fees were charged by a legal firm during the period ended March 31, 2020, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of \$19,422 (2019 - \$1,738). Accounts payable and accrued liabilities includes \$12,075 owing to the legal firm (2019 – \$1,067).

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

See also Note 8(a).

## **12. FINANCIAL INSTRUMENTS**

The carrying amounts for cash, amounts receivable, and accounts payable and accrued liabilities approximate their estimated fair value due to the short-term nature of these financial instruments.

Cash and amounts receivable are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Marketable securities are classified as FVPL, are measured at their fair value, and are classified as Level 1 within the fair value hierarchy. Changes in fair value are included in profit and loss.

Accounts payable and accrued liabilities and lease obligations are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly for the periods ended March 31, 2020 and 2019.

### **Credit Risk**

The Company's credit risk is primarily attributable to amounts 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 instruments included in accounts receivable is remote.

### **Liquidity Risk**

The Company's main source of liquidity is derived from its common stock issuances. As at March 31, 2020, the Company had current assets of \$1,976,510 (December 31, 2019 - \$1,157,932) to settle current liabilities of \$303,231 (December 31, 2019 - \$186,726). All of 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**

#### *Foreign Currency Risk*

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.

#### *Price Risk*

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 and evaluation stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

### **Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- (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 hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

**13. CAPITAL MANAGEMENT**

Capital management is reflected by the manner in which the Company manages its capital stock. The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stake-holders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

There were no significant changes in the Company's approach to capital management during the years ended March 31, 2020 and 2019.

As at March 31, 2020, the Company's capital stock was \$50,679,107 (December 31, 2019 - \$49,717,593). The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

**14. SUBSEQUENT EVENTS**

On May 19, 2020, the Company announced it is conducting a non-brokered private placement of flow-through units ("FT Units") of up to \$800,000. Each FT Unit is being offered at a price of \$0.16 and will be comprised of one flow through share of the Company and one half of one common share purchase warrant, each warrant entitling the holder thereof to acquire one common share of the Company at a price of \$0.26 for a period of 24 months from the date of closing of the Offering.

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.