



GRID METALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

INDEX

| | |
|--|---|
| Independent Auditor's Report | 1 |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Operations and Comprehensive Loss | 5 |
| Consolidated Statements of Changes in Shareholders' Equity | 6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to the Consolidated Financial Statements | 8 |

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Grid Metals Corp.

Opinion

We have audited the consolidated financial statements of Grid Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as of that date, had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 22, 2021

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

(In Canadian dollars)

| | December 31, | |
|--|---------------------|--------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current | | |
| Cash | \$3,033,899 | \$1,088,604 |
| Marketable securities, (Note 5) | 52,821 | 49,720 |
| Amount receivable from a government | 71,483 | 11,188 |
| Prepays | 8,606 | 8,420 |
| Total current assets | 3,166,809 | 1,157,932 |
| EXPLORATION AND EVALUATION ASSETS, (Note 6 and 12) | 29,545,054 | 27,691,470 |
| CAPITAL ASSETS, (Note 7) | 3,717 | 14,870 |
| Total assets | \$32,715,580 | \$28,864,272 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities, (Notes 9 and 12) | \$87,648 | \$123,839 |
| Lease obligations, (Note 10) | 3,891 | 11,287 |
| Flow through share premium, (Note 8(a)) | 519,761 | 51,600 |
| Total current liabilities | 611,300 | 186,726 |
| Non-current | | |
| Term loan payable, (Note 11) | 60,000 | - |
| Long term lease obligations, (Note 10) | - | 3,889 |
| Deferred income tax (Note 13) | 966,000 | - |
| Total liabilities | 1,637,300 | 190,615 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock, (Note 8) | 52,606,067 | 49,717,593 |
| Contributed surplus | 7,967,037 | 7,343,571 |
| Deficit | (29,494,824) | (28,387,507) |
| Total shareholders' equity | 31,078,280 | 28,673,657 |
| Total liabilities and shareholders' equity | \$32,715,580 | \$28,864,272 |

Going concern (Note 2)**Commitments and contingencies (Notes 6 and 9)****Approved on Behalf of the Board**'Thomas W. Meredith' Director'Robin Dunbar' Director

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

(In Canadian dollars)

| | For the years ended | |
|---|---------------------|------------------|
| | December 31, | |
| | 2020 | 2019 |
| Expenses | | |
| Office, general and administrative | \$ 432,473 | \$ 146,250 |
| Management fees and directors fees (Note 12) | 286,000 | 253,000 |
| Share-based payments, (Note 8(b)) | 493,000 | 45,000 |
| Professional and consulting fees | 237,510 | 253,597 |
| Amortization, (Note 7) | 11,153 | 12,688 |
| Public company costs | 50,123 | 60,933 |
| Flow-through share premium recovery (Note 8(a)) | (51,600) | - |
| Loss from operations before the undernoted | (1,458,659) | (771,468) |
| Other income (expense) | 9,980 | 11,837 |
| Shareholder indemnification recovery, (Note 9) | 100,000 | 99,961 |
| Net loss before provision for income taxes | (1,348,679) | (659,670) |
| Deferred income tax expense (Note 13) | (966,000) | - |
| Net loss and comprehensive loss for the year | (2,314,679) | (659,670) |
| Loss per share | | |
| Basic and diluted | \$ (0.04) | \$ (0.02) |
| Weighted average number of common shares outstanding - basic and diluted | 59,448,592 | 42,660,336 |

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

GRID METALS CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(In Canadian dollars)

| | Capital Stock | | Contributed | Deficit | Total |
|--|-------------------|-------------------|------------------|---------------------|-------------------|
| | # of shares | Amount | Surplus | | |
| | | \$ | \$ | \$ | \$ |
| Balance, December 31, 2018 | 42,416,610 | 49,440,113 | 7,218,571 | (27,727,837) | 28,930,847 |
| Common shares issued in connection with a unit private placements (Note 8(a)) | 2,500,000 | 250,000 | - | - | 250,000 |
| Fair value assigned to warrants issued in connection with the private placements (Note 8(c)) | - | (80,000) | 80,000 | - | - |
| Flow through common shares issued in connection with a private placements (Note 8(a)) | 1,360,000 | 170,000 | - | - | 170,000 |
| Value assigned to the flow through share premium (Note 8(a)) | - | (51,600) | - | - | (51,600) |
| Cash share issue costs (Note 8(a)) | - | (10,920) | - | - | (10,920) |
| Stock options granted (Note 8(b)) | - | - | 45,000 | - | 45,000 |
| Net loss for the year | - | - | - | (659,670) | (659,670) |
| Balance, December 31, 2019 | 46,276,610 | 49,717,593 | 7,343,571 | (28,387,507) | 28,673,657 |
| Common shares issued in connection with unit private placements (Note 8(a)) | 14,102,459 | 1,874,987 | - | - | 1,874,987 |
| Common shares issued in connection with unit flow through private placements (Note 8(a)) | 16,988,030 | 3,117,936 | - | - | 3,117,936 |
| Fair value assigned to warrants issued in connection with the private placements (Note 8(c)) | - | (1,267,361) | 1,267,361 | - | - |
| Cash share issue costs (Note 8(a)) | - | (330,610) | - | - | (330,610) |
| Non-cash share issue costs (Note 8(a)) | - | (89,570) | 89,570 | - | - |
| Estimated value of flow through share premium (Note 8(a)) | - | (519,761) | - | - | (519,761) |
| Original fair value of warrants expired (Note 8(c)) | - | - | (1,114,362) | 1,114,362 | - |
| Warrants exercised (Note 8(c)) | 415,000 | 62,250 | - | - | 62,250 |
| Original fair value of warrants exercised (Note 8(c)) | - | 19,103 | (19,103) | - | - |
| Shares issued in partial satisfaction of a property acquisition (Note 8(a)) | 100,000 | 21,500 | - | - | 21,500 |
| Stock options granted (Note 8(b)) | - | - | 493,000 | - | 493,000 |
| Options expired (Note 8(b)) | - | - | (93,000) | 93,000 | - |
| Net loss for the year | - | - | - | (2,314,679) | (2,314,679) |
| Balance, December 31, 2020 | 77,882,099 | 52,606,067 | 7,967,037 | (29,494,824) | 31,078,280 |

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

GRID METALS CORP.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31,**

(In Canadian dollars)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows used in operating activities | | |
| Net loss for the year | \$ (2,314,679) | \$ (659,670) |
| Adjustments not affecting cash | | |
| Amortization | 11,153 | 12,688 |
| Flow-through share premium recovery | (51,600) | - |
| Share based payments | 493,000 | 45,000 |
| Shareholder indemnification recovery | (100,000) | (99,961) |
| Interest on lease obligations | 502 | 944 |
| Deferred income tax expense | 966,000 | - |
| Changes in non-cash working capital | | |
| Amounts receivable | (60,295) | 1,061 |
| Un-realized loss (gain) on marketable securities | (3,101) | 8,759 |
| Prepays | (186) | 116,834 |
| Accounts payable and accrued liabilities | 63,809 | (12,870) |
| Cash flows used in operating activities | (995,397) | (587,215) |
| Cash flows used in investing activities | | |
| Increase in exploration and evaluation assets | (1,832,084) | (193,464) |
| Cash flows used in investing activities | (1,832,084) | (193,464) |
| Cash flows from financing activities | | |
| Payment of lease obligations | (11,787) | (11,790) |
| Issuance of common shares and warrants | 4,992,923 | 420,000 |
| Share issue costs | (330,610) | (10,920) |
| Term loan proceeds | 60,000 | - |
| Proceeds on exercise of warrants | 62,250 | - |
| Cash flows provided by financing activities | 4,772,776 | 397,290 |
| Change in cash for the year | 1,945,295 | (383,389) |
| Cash, beginning of year | 1,088,604 | 1,471,993 |
| Cash, end of year | \$ 3,033,899 | \$ 1,088,604 |
| Supplemental information | | |
| Shares issued in satisfaction of a property acquisition | \$ 21,500 | \$ - |

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

GRID METALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(In Canadian dollars)

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 consolidated financial statements of the Company for the years ended December 31, 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors on April 22, 2021.

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 December 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 conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern.

These 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 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:

| | December 31, 2020 | December 31, 2019 |
|-----------------|----------------------|----------------------|
| | \$ | \$ |
| Deficit | 29,494,824 | 28,387,507 |
| Working capital | 2,555,509 | 971,206 |

3. BASIS OF PREPARATION

These consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") 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 (“IFRICs”) and the former Standing Interpretations Committee (“SICs”).

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These 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 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 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
- (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 December 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 years ended December 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

GRID METALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(In Canadian dollars)

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, term loan payable 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.

Leases

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. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

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.

Recent and future pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2021 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 and 8 – 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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of these 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 and 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.

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.

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

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:

| | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|
| | \$ | \$ |
| Aquila Resources Inc. | 27,840 | 36,406 |
| New Age Metals Inc. | 23,334 | 11,667 |
| Other | 1,647 | 1,647 |
| | <u>52,821</u> | <u>49,720</u> |

6. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS

For the year ended December 31, 2020

| | December 31, | | December 31, | |
|------------------|----------------------|------------------|---------------------|----------------------|
| MANITOBA | 2019 | Acquisition | Exploration | 2020 |
| Makwa | \$ 16,488,851 | \$ - | \$ 12,940 | \$ 16,501,791 |
| Mayville | 10,599,808 | - | 27,441 | 10,627,249 |
| Mayville lithium | 545,444 | - | - | 545,444 |
| ONTARIO | | | | |
| East Bull Lake | 57,367 | 40,950 | 1,767,153 | 1,865,470 |
| Bannockburn | - | - | 5,100 | 5,100 |
| | <u>\$ 27,691,470</u> | <u>\$ 40,950</u> | <u>\$ 1,812,634</u> | <u>\$ 29,545,054</u> |

For the year ended December 31, 2019

| | December 31, | | December 31, | |
|------------------|----------------------|-------------|-------------------|----------------------|
| MANITOBA | 2018 | Acquisition | Exploration | 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 |
| ONTARIO | | | | |
| East Bull Lake | - | - | 57,367 | 57,367 |
| | <u>\$ 27,498,006</u> | <u>-</u> | <u>\$ 193,464</u> | <u>\$ 27,691,470</u> |

It is in the normal course of business for the Company to acquire and divest exploration and evaluation assets claims

GRID METALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(In Canadian dollars)

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 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. Except for a property package at the east end of the property (the "Shib property") the Company has fulfilled its commitments to earn a 100% interest in the exploration and evaluation assets claims comprising the EBL property subject to an NSR of up to 3% to the underlying option holders.

On April 27, 2020 the Company entered into an option agreement to acquire the Shib property. The Shib property consists of certain boundary cell mining claim units. Under the terms of the Shib property option agreement the Company made an initial cash payment of \$15,000 and issued 100,000 common shares of the Company. In order for the Company to earn a 100% interest in the Shib property it would need to make, at its option, additional cash payments and share issuance on each of the subsequent 3 anniversary dates as follows:

- Year 1 - \$20,000 and 50,000 shares,
- Year 2 - \$30,000 and 50,000 shares,
- Year 3 - \$40,000.

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

The property is subject to a 2% NSR of which 1% can be purchased for \$1,000,000; the Company has a right of first refusal on the remaining 1%.

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.

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 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 year | - | - | 11,153 | 11,153 |
| Balance December 31, 2020 | 96,956 | 32,687 | 22,305 | 151,948 |
| Net book value | | | | |
| Balance December 31, 2019 | - | - | 14,870 | 14,870 |
| Balance December 31, 2020 | - | - | 3,717 | 3,717 |

8. CAPITAL STOCK**(a) Common shares****Authorized**

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

During the year ended December 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 broker warrant is exercisable at \$0.20 for a period of three years.
- c. On May 25, 2020, the Company issued 100,000 common shares in partial satisfaction of a property acquisition option payment. The shares were valued at \$21,500 being the market value of the shares on the date they were issued.
- d. On June 3, 2020, the Company issued a total of 5,000,000 flow through units ("FT Units") of the Company at a price of C\$0.16 for total proceeds of \$800,000. Each FT Unit consisted of one flow through share of the

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

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 \$0.26 per common share for a period of 24 months from closing. The Company paid aggregate finders' fees of \$63,369 in cash and finders warrants to purchase 350,000 units issued on the same terms as the FT Units.

- e. On December 24, 2020, the Company completed a private placement for gross proceeds of \$2,742,966. Under the placement, the Company sold the following securities:
- (i) 2,833,336 units of the Company at a price of \$0.15 per unit;
 - (ii) 4,988,028 flow-through units of the Company at a price of \$0.17 per unit; and,
 - (iii) 7,000,002 flow-through units of the Company sold to charitable flow-through purchasers at a price of \$0.21 per unit.

Each unit in (i) consisted of one common share of the Company and one half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.22 at any time on or before December 24, 2022. Each flow-through unit is comprised of one common share of the Company, issued as a flow-through share, and one half of one warrant to acquire one common share at a price of \$0.22 at any time on or before December 24, 2022. The Company paid cash share issue costs of \$171,495 and issued 895,699 broker warrants in connection with the private placement; each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until December 24, 2022. The Company's President subscribed for 100,000 flow through units at \$0.17 per share for \$17,000. The flow-through share premium has been estimated at value of \$519,761.

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 December 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 years ended December 31, 2020 and 2019.

| | Number of Options | Weighted Average Exercise Price \$ |
|-----------------------------------|-------------------|--|
| Balance, December 31, 2018 | 1,855,000 | 0.35 |
| Options granted | 450,000 | 0.15 |
| Balance, December 31, 2019 | 2,305,000 | 0.31 |
| Options granted | 2,900,000 | 0.25 |
| Options expired | (550,000) | 0.15 |
| Balance, December 31, 2020 | 4,655,000 | 0.28 |

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 \$445,400 using the Black-Scholes option pricing model based on the following weighted average assumptions:

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

| | |
|----------------------------|---------|
| Expected dividend yield | 0% |
| Expected annual volatility | 142% |
| Risk-free interest rate | 1.14% |
| Expected average life | 5 years |
| Share price | \$0.19 |

On June 18, 2020, 280,000 options were granted, exercisable at \$0.25, and that vested immediately. The options expire on June 17, 2025, and have been valued at \$47,600 using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | |
|----------------------------|---------|
| Expected dividend yield | 0% |
| Expected annual volatility | 159% |
| Risk-free interest rate | 0.37% |
| Expected average life | 5 years |
| Share price | \$0.19 |

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

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 |
| Share price | \$0.11 |

The following table summarizes information about stock options outstanding and exercisable at December 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 |
| 0.25 | 280,000 | June 17, 2025 |
| 0.28 | 4,655,000 | |

(c) Warrants

During the year ended December 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.

The warrant value has 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 | 1.63% |
| Expected average life | 2 years |
| Share price | \$0.07 |

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

- b. 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 value has 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% |
| Expected average life | 3 years |
| Share price | \$0.08 |

- c. On June 3, 2020, the Company issued a total of 2,850,000 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.26 per share for a period of two years from the date of issuance. The warrants have been valued at \$207,672 using the Black-Scholes option pricing model. The warrant value has been estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | |
|----------------------------|---------|
| Expected dividend yield | 0% |
| Expected annual volatility | 128% |
| Risk-free interest rate | 0.32% |
| Expected average life | 2 years |
| Share price | \$0.11 |

- d. During the year ended December 31, 2020, 415,000 warrants were exercised at an exercise price of \$0.15 per warrant for total proceeds of \$62,250. The warrants had an original estimated fair value of \$19,103, which amount was transferred from contributed surplus to share capital.

- e. On December 24, 2020, the Company issued a total of 7,410,683 warrants and 895,699 broker warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.22 per share for a period of two years from the date of issuance, and each broker 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 and the broker warrants have been valued at \$664,511 using the Black-Scholes option pricing model. The warrant value has been estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | |
|----------------------------|---------|
| Expected dividend yield | 0% |
| Expected annual volatility | 120% |
| Risk-free interest rate | 0.22% |
| Expected average life | 2 years |
| Share price | \$0.12 |

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 weighted average assumptions:

| | |
|----------------------------|----------|
| Expected dividend yield | 0% |
| Expected annual volatility | 123% |
| Risk-free interest rate | 1.58% |
| Expected average life | 2 years. |
| Share price | \$0.07 |

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

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

| | Number of Warrants | Weighted-average exercise price (\$) |
|---|-----------------------|---|
| Balance, December 31, 2018 | 12,661,285 | 0.250 |
| Warrants issued under a private placement | 2,500,000 | 0.150 |
| Balance, December 31, 2019 | 15,161,285 | 0.230 |
| Warrants issued under a private placement | 1,395,699 | 0.150 |
| Warrants issued under a private placement | 5,855,658 | 0.200 |
| Warrants issued under a private placement | 2,850,000 | 0.260 |
| Warrants issued under a private placement | 7,410,683 | 0.220 |
| Warrants expired | (11,946,285) | 0.256 |
| Warrants exercised | (415,000) | 0.150 |
| Balance, December 31, 2020 | 20,312,040 | 0.206 |

The 11,946,285 warrants that expired had an original estimated fair value of \$1,114,362 which amount was transferred from contributed surplus to deficit.

At December 31, 2020, the following common share purchase warrants were outstanding:

| Expiration date | Number of Warrants | Exercise Price (\$) |
|-----------------------------------|-----------------------|------------------------|
| November 19, 2021 | 2,500,000 | 0.150 |
| December 19, 2021 | 300,000 | 0.175 |
| January 14, 2022 | 500,000 | 0.150 |
| June 2, 2022 | 2,850,000 | 0.260 |
| February 13, 2023 | 5,855,658 | 0.200 |
| December 24, 2022 | 7,410,683 | 0.220 |
| December 24, 2022 | 895,699 | 0.150 |
| Balance, December 31, 2020 | 20,312,040 | 0.206 |

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. The Company had recorded a liability for shareholder indemnification in connection with a Canada Revenue Agency audit of its 2010 to 2013 taxation years, and has concluded that the matter is now settled and its liability is Nil (2019 - \$100,000).

During 2020 flow-through common shares were issued in the amount of \$3,117,936, and as a result the Company must spend at least \$3,117,936 on eligible exploration expenses before December 31, 2021 (\$800,000 has been spent at December 31, 2020).

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

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 nine 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.

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.

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:

| | December 31, | |
|--|--------------|----------|
| | 2020 | 2019 |
| | \$ | \$ |
| Balance, beginning of year | 15,176 | 26,022 |
| Interest | 502 | 944 |
| Payments | (11,787) | (11,790) |
| Balance, end of year | 3,891 | 15,176 |
| Current portion of lease obligations | (3,891) | (11,287) |
| Long-term portion of lease obligations | - | 3,889 |

11. TERM LOAN PAYABLE

The term loan payable was taken by the Company under the Canada Emergency Business Assistance program. As long as 75% of the principal amount of the loan is repaid on or prior to December 31, 2022, which the Company intends to do, the terms of the loan are as follows:

- a. It is unsecured,
- b. Non-interest bearing,
- c. The remaining 25% will be forgiven. The forgiveness of the remaining 25% will not be recognized until the 75% has been repaid.

12. RELATED PARTY TRANSACTIONS

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

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

| | 2020 | 2019 |
|--|----------------|-------------|
| | \$ | \$ |
| Short-term compensation and benefits | 492,540 | 253,000 |
| Share-based payments (stock option grants) | 396,950 | - |
| Total key management compensation | 889,490 | 253,000 |

Short-term compensation and benefits charged to exploration and evaluation assets amounted to \$206,540 (2019 – Nil).

Amounts due to key management personnel included in accounts payable amounted to \$25,795 (2019 – \$18,042).

Legal fees were charged by a legal firm during the year ended December 31, 2020, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of \$56,683 (2019 - \$2,838). Accounts payable and accrued liabilities includes \$12,720 owing to the legal firm (2019 – \$2,838).

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

See also Notes 8(a) and 9.

13. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| | \$ | \$ |
| Combined Canadian statutory income tax rate | 26.50% | 26.50% |
| Loss before income taxes | (1,348,679) | (659,670) |
| Expected income tax recovery based on statutory rate | (357,400) | (175,000) |
| Adjustment to expected income tax benefit: | | |
| Flow through renunciation | 826,000 | 45,000 |
| Expenses not deductible for tax purposes | 497,400 | 13,000 |
| Benefits of tax losses not recognized | - | 117,000 |
| Deferred income tax expense | 966,000 | - |

GRID METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2020**

(In Canadian dollars)

b) The tax effects of temporary differences that give rise to deferred income tax assets and liabilities at December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|------------------------------------|------------------|-------------|
| | \$ | \$ |
| Deferred tax assets (liabilities): | | |
| Capital assets | 616,000 | 616,000 |
| Share issue costs | 88,000 | 45,000 |
| Marketable securities | 9,000 | 5,000 |
| Non-capital losses carried forward | 2,701,000 | 2,423,000 |
| Exploration and evaluation assets | (4,380,000) | (3,089,000) |
| Net deferred income tax liability | <u>(966,000)</u> | <u>-</u> |

c) Losses Carried Forward

As at December 31, 2020, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$10,192,000 available to use against future taxable income. The non-capital losses expire between 2025 and 2040 as follows.

| Expiry | Canada |
|--------|-------------------|
| | \$ |
| 2025 | 487,000 |
| 2026 | 804,000 |
| 2027 | 1,153,000 |
| 2028 | 1,055,000 |
| 2029 | 843,000 |
| 2030 | 935,000 |
| 2031 | 61,000 |
| 2033 | 1,000 |
| 2034 | 101,000 |
| 2035 | 1,328,000 |
| 2036 | 267,000 |
| 2038 | 1,335,000 |
| 2039 | 775,000 |
| 2040 | 1,047,000 |
| | <u>10,192,000</u> |

14. FINANCIAL INSTRUMENTS

The carrying amounts for cash, amounts receivable, accounts payable and accrued liabilities and term loan payable 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.

GRID METALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(In Canadian dollars)

Accounts payable and accrued liabilities, lease obligations and term loan payable 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 years ended December 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 December 31, 2020, the Company had current assets of \$3,166,809 (December 31, 2019 - \$1,157,932) to settle current liabilities of \$611,300 (December 31, 2019 - \$186,726). Current liabilities include un-renounced flow through share premium, which will be a non-cash item on settlement, of \$519,761 (2019 - \$51,600). 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 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.

15. 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 December 31, 2020 and 2019.

GRID METALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(In Canadian dollars)

As at December 31, 2020, the Company's capital stock was \$52,606,067 (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.