



**GRID METALS CORP. (formerly Mustang Minerals Corp.)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the June 30, 2019 interim unaudited condensed consolidated financial statements of Grid Metals Corp. (formerly Mustang Minerals Corp.) ("Grid" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on SEDAR, [www.sedar.com](http://www.sedar.com). All amounts are in Canadian dollars, unless otherwise noted.*

## **1. DATE**

The date of this MD&A is August 21, 2019.

## **2. Overview**

### **Q1 and Q2 - 2019 activities**

During 2019 the Company focused its project development activities primarily on metallurgical test-work. The Company has now obtained the results of its bench scale metallurgical test-work program for its Mayville Deposit located in southeastern Manitoba, Canada. The program was designed to demonstrate copper and nickel separation from a bulk concentrate in order to produce quality nickel and copper concentrates. The latest test-work achieved successful nickel copper separation and significantly higher nickel recovery than in previous work. (nickel recovery was over 65%, vs 45% maximum recovery used in the Project's 2014 PEA – an increase of 44%).

The Company intends to undertake steps to assess the impact of the potential improvement in metal recoveries following the successful metallurgical program. The Company has retained Roscoe Postle Associates (who completed the 2014 PEA) to assist in this effort.

### **Discussion**

A summary of latest metallurgical results follows:

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

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

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

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

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

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

### **Name Change**

Pursuant to a shareholders resolution approved March 9, 2018, the Company announced on June 8, 2018 that it had changed its name to Grid Metals Corp. (“Grid”) from Mustang Minerals Corp. Grid began trading on the TSX Venture Exchange under the symbol GRDM effective June 8, 2018. The Company wished to reflect its focus on metals increasingly identified with the electric vehicle market and is of the view that changing the name of the Company to Grid Metals Corp. better reflects that focus.

### **Key Projects**

#### Makwa Mayville Project PEA Overview

On April 8, 2014, the Company announced the highlights of a National Instrument 43-101 compliant Preliminary Economic Assessment (the “PEA”) of the Mayville-Makwa Project (the “Project”). The Technical Report on the Preliminary Economic Assessment of the Combined Mayville-Makwa Project, Manitoba Canada (“Technical Report”) is dated April 30, 2014 and is filed online at Sedar.com. Grid retained RPA Inc. as the independent third party to complete the PEA.

The PEA examined a proposed mining operation where ore is processed from two open pit resources (Makwa and Mayville) with metal recovery at a central mill located at the Mayville site. The mining operation outlined is a conventional truck and shovel operation with metal recovery by conventional flotation concentration. Proposed total mine life is 14 years with an average mining daily rate of 8,200 tonnes per day of mineralized material. Average annual production from the Project is 3,600 tonnes of nickel in concentrate, 8,700 tonnes of copper in concentrate and 9,800 combined ounces of platinum and palladium. The concentrator location is proposed to be at the Mayville site and Makwa material will be trucked to the Mayville concentrator, a distance of 43 kilometres. The Makwa deposit is a nickel dominant deposit with lesser contributions of copper, palladium and cobalt. The Mayville deposit is a copper dominant deposit with lesser contributions of nickel and palladium. Metallurgical testing has demonstrated that the deposits are amenable to flotation concentration. The PEA noted further optimization of the project could be achieved with additional work including trade-off studies, metallurgical process enhancement and additional drilling.

#### Project Economics

The distribution of gross revenue for the project by metal is 44.3% nickel and 46.8% copper, 5.0% palladium, 1.8% platinum, 1.4% gold, and 0.3% cobalt. Using the base case metal price assumptions of US\$8.50 lb nickel and US\$3.40 lb copper the project achieves payback of capital after 3.5 years.

The following table outlines a base case analysis based on the assumptions set out in the PEA.

<b>Description</b>	<b>Base Case</b>
Nickel US\$ (lb)	\$8.50
Copper US\$ ( lb)	\$3.40
Palladium US\$ (oz)	\$800
C\$/US\$ Exchange Rate	\$0.90
Operating Cash flow ( millions )	C\$637
Capex ( millions )	C\$300
Pre-tax NPV at 7.5% ( millions )	C\$109
Pre-tax IRR	17%
After tax NPV at 7.5% ( millions )	C\$97
After tax IRR	16%

The PEA is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty the PEA will be realized.

#### Project Mineral Resource Estimates

The potential economic viability of the Makwa and Mayville deposits was evaluated using measured, indicated and inferred mineral resources. RPA updated the mineral resources for both deposits. The Makwa mineral resource was prepared using drilling data current to October 14, 2009 and for Mayville the mineral resource estimate used drill-hole data as of November 27, 2013. The NSR cut-off value used for Mayville was C\$15/t and for Makwa was C\$20.64/t. The portion of the measured mineral resources, indicated mineral resources and inferred mineral resources used for evaluation in the PEA is shown in the table that follows.

#### MINERAL RESOURCE SUMMARY AS OF NOVEMBER 27, 2013 Grid Metals Corp. (formerly Mustang Minerals Corp.) – Makwa-Mayville Project

Class and Deposit	Tonnes ( Mt)	Ni (%)	Cu (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Co (%)
<b>Indicated</b>							
Makwa	7.2	0.61	0.13	0.10	0.36	N/A	0.01
Mayville	26.6	0.18	0.44	0.05	0.14	0.05	N/A
<b>Total Indicated</b>	<b>33.8</b>	<b>0.27</b>	<b>0.37</b>	<b>0.06</b>	<b>0.19</b>	<b>N/A</b>	<b>N/A</b>
<b>Inferred</b>							
Makwa	0.7	0.27	0.08	0.05	0.14	N/A	0.02
Mayville	5.2	0.19	0.48	0.06	0.15	0.04	N/A
<b>Total Inferred</b>	<b>5.8</b>	<b>0.19</b>	<b>0.43</b>	<b>0.06</b>	<b>0.15</b>	<b>N/A</b>	<b>N/A</b>

Notes:

1. CIM Definition Standards have been followed for classification of Mineral Resources
2. Mineral Resources are reported at a net smelter return (NSR) cut-off value of C\$15/tonne at Mayville and C\$20.64/tonne at Makwa
3. At Mayville, NSR values are calculated in C\$ using factors of \$51 per % Cu and \$41 per % Ni. These factors are based on metal prices of US\$3.40/lb Cu and US\$8.50/lb Ni, estimated recoveries and smelter terms, and a US\$/C\$ exchange rate of 0.97.

4. The Makwa Mineral Resources are estimated using metal prices of US\$3.40/lb Cu and US\$8.50/lb Ni, estimated recoveries and smelter terms, and a US\$/C\$ exchange rate of 0.97. The NSR factors used: \$87.33 per % Ni, \$29.65 per % Cu, \$38.25 per % Co, \$0.14 per g/t Pt and 0.08 per g/t Pd.
5. Totals may not add correctly due to rounding.
6. Mineral Resource that are not Mineral Reserves do not have demonstrated economic viability.

#### Project Parameters

The PEA outlined the scope for the project and a summary of the key operating and cost parameters of the project are as follows:

- The project was evaluated as owner operated.
- Net smelter return revenue of C\$1.739 billion is from sale of copper and nickel concentrates.
- Average net smelter return per tonne is C\$45.
- Initial capital cost of the project is C\$209 million (including contingency) to build the mine, site infrastructure, sulfide flotation plant and purchase of new mining equipment to achieve commercial production. Total capital cost including sustaining is C\$301million. ( the PEA did not account for use of mill equipment currently owned by Grid )
- Operating costs include open pit mining costs of \$2.00 per tonne and concentrator operator costs of \$10.50/t.
- Metallurgical recoveries used in the study for Makwa were 73% for nickel and 80% for copper. For Mayville the nickel recovery used was 40% for nickel and 90% for copper.
- RPA selected indicative terms for concentrate payment and charges typical for the current market.
- The project has operating cash flow of C\$637 million. Pre-tax cash flow was \$336 million and the Net Present Value (7.5%) was C\$109 million with a 17% Internal Rate of Return. After tax Net Present Value (7.5%) of the project was C\$97 million.

RPA concluded that the geological interpretation and modeling were appropriate for the current level of study and that the exploration work met industry standard practices.

#### Recommendations

RPA made the recommendation that Grid continue to evaluate the technical and economic viability of the project. In order to advance the project additional drilling, trade off studies, environmental studies, geotechnical work and metallurgical test work are required.

#### Environmental Issues - Permitting and Community Impact

The PEA reviewed the environmental and social aspects of the project. At the time of the PEA Grid had a Memorandum of Understanding (MOU) with the Sagkeeng First Nation in whose Traditional Territory the project lies. The MOU has not been renewed as of the date hereof. The Company will submit any required exploration permits to the Province of Manitoba and will engage with affected First Nations in support of its exploration permits.

At the Makwa site, Grid completed environmental work for the Makwa deposit in 2008. An environmental scoping study was completed for the Mayville area in 2009.

Permitting and mine closure were addressed in the PEA on a scoping study level. The Environmental Act Licence is the primary enabling approval document that is required from the Province of Manitoba before the project can be constructed. Environmental licensing is handled through the “one-window” process managed by Manitoba Conservation. The project would be a Class 2 development which will require a full environmental impact statement (EIS) to be submitted along with the license application. A mine closure plan will have to be prepared including an independent estimate of closure costs which will form the basis for the required financial assurance.

### Qualified persons

The Qualified Persons involved in the preparation of the report are:

Reno Pressacco, M.Sc(A), P.Geo. RPA Inc.

David Ross, M.Sc., P. Geo. RPA Inc.

Hugo Miranda, MBA, C.P. RPA Inc.

Holger Krutzmann, P.Eng. RPA Inc.

Stuart E. Collins, P.E. RPA Inc.

This Technical Report conforms to the CIM Mineral Resource and Mineral Reserves definitions referred to in National Instrument (NI) 43-101, Standards of Disclosure for Mineral Projects.

### **Exploration**

The Company has a large exploration mineral rights portfolio on both the north and south limbs of the Bird River Greenstone Belt, an area that has seen historical and current production for nickel copper lithium tantalum and cesium. An operating rare metals mine producing cesium formate (the Tanco Mine) is currently in operation. The location of this project is close to the City of Winnipeg, and a regional centre Lac du Bonnet, with the attendant infrastructure. The Company views the area as highly prospective for multiple commodities within an excellent mining jurisdiction near infrastructure in a “southern Canada” environment.

During 2018 the Company acquired the Mayville Lithium rights and then completed a drill program targeting the Main Dyke which has a historical resource. Results released to date confirmed the historical lithium values contained in the Main Dyke. There are other known pegmatite dykes in the area of which the NorthWest Dyke also has a historical resource. The Company believes that other lithium bearing pegmatites may occur in the area along the geological contact between the volcanic rocks and the Maskwa Batholith – a permissive geological setting in an area rich with pegmatites. The medium term objective for the Company is to outline a resource that can be economically developed using milling facilities in the area.

### Mayville Lithium Project

The Main Dyke is one of four known pegmatite dykes on the Mayville Lithium Property. The Property has a total historical resource of 3.8 million tons grading 1.28% Li<sub>2</sub>O from the Main Dyke and the Northwest Dyke ( note the resource is historical in nature and cannot be relied on until verified by an independent qualified person ). The pegmatite dykes are located at or near the lithological contact between the Maskwa Lake Batholith and mafic volcanic rocks. This favourable contact horizon has been mapped for approximately 10 kilometers along strike of the Mayville Lithium Property. The four known pegmatites are located in an area approximately 1500 m by 1500 m just south of Grid’s Mayville Copper-Nickel deposit.

During 2018 the Company announced initial results from the winter 2018 drill program that targeted the Main Dyke pegmatite at the Mayville Lithium Project. The first three of eleven holes testing the pegmatite dyke intersected high grade lithium and significant tantalum values. The objective of the initial phase of drilling is to test the potential for a high grade, high purity lithium and rare metals bearing LCT pegmatite dyke. In Q3 fieldwork including geological mapping and sampling were completed on the property. Samples have been submitted for analysis.

Highlights from the initial three holes of the drill program are as follows:

- Drill core assays returned Li<sub>2</sub>O values in excess of 1.5% over the width of the dyke with visual spodumene blades in each of the three holes.
- The iron content and other level of impurities were low
- Significant rare metals were encountered including tantalum
- The three holes were drilled over a strike length of 195 meters

For further details of the drill results see the Company’s June 18, 2018 press release on SEDAR.

### Exploration and Development Expenditures

For the three months ended June 30, 2019				
\$				
	Makwa	Mayville	East Bull Lake	Total
Geological	-	-	5,740	5,740
Total	-	-	5,740	5,740

For the six months ended June 30, 2019				
\$				
	Makwa	Mayville	East Bull Lake	Total
Geological	10,885	81,342	5,740	97,966
Total	10,885	81,342	5,740	97,965

### **3. SELECTED ANNUAL INFORMATION**

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

Years ended December 31,	2018	2017	2016
	\$	\$	\$
Net loss before provision for income taxes	(1,083,527)	(496,516)	(287,774)
Net loss after provision for income taxes	(1,040,527)	(33,516)	(287,774)
Basic and diluted loss per share	(0.03)	(0.00)	(0.01)
Total assets	29,167,518	30,384,979	27,760,997

### **4. RESULTS OF OPERATIONS**

#### Overview

The following table provides selected financial information that should be read in conjunction with the consolidated financial statements of the Company for the three and six months ended June 30, 2019 and 2018.

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating expenses	(183,702)	(339,279)	(388,039)	(589,873)
Net income (loss)	(180,951)	(331,930)	(375,668)	(577,082)
Net loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Mining interests	27,595,973	27,426,892	27,595,973	27,426,892
Total assets	28,790,427	29,787,709	28,790,427	29,787,709

#### Revenues

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

The major expense items for the three and six months ended June 30, 2019 and 2018 are summarized as follows:

	June 30,		June 30,	
	\$		\$	
	2019	2018	2019	2018
Office, general and administrative	26,696	66,733	65,060	150,443
Management and directors fees	64,750	11,417	129,500	129,499
Professional fees	87,838	148,588	177,283	177,298
Public company costs	4,418	14,064	14,661	34,027
Property due diligence costs	-	98,348	-	98,348
Other	-	129	1,535	258
	183,702	339,279	388,039	589,873

## Mining assets

Significant Projects:

### Manitoba

#### Makwa

The Company's Makwa property position covers prospective terrain in the Bird River Greenstone Belt approximately 150 km northeast of Winnipeg, Manitoba. The Makwa Property, located near Lac du Bonnet, includes the former producing Makwa open pit nickel deposit and the Dumbarton Mine, both located on the south limb of the Bird River Greenstone Belt.

The chronology of activity at Makwa is as follows:

1. Grid acquired the mineral rights to the property covering the former open pit Makwa Ni-Cu deposit and the former producing Dumbarton Ni-Cu deposit in June 2004.
2. A National Instrument 43-101 compliant resource estimate was completed by Scott Wilson Roscoe Postle Associates Inc. in February 2005.
3. The resource estimate was updated in January 2007 by Micon International Limited ("Micon") as part of a Preliminary Economic Assessment ("PEA") of Makwa.
4. A revised resource estimate dated September 2007 was completed by Wardrop Engineering Inc.
5. In May 2008 Micon completed a pre-feasibility study based on the September 2007 resource estimate.
6. A new resource estimate was completed by Micon in October 2009.
7. In February/March 2010 Micon issued a revised reserve estimate and project cash flow model.
8. On April 8, 2014 the Company announced the results of a PEA that looked at a mining operation combining the Makwa property with the Mayville property. The PEA for the combined operation assumed that the processing facilities would be designed for and situated at Mayville and the mineralized material from Makwa would be trucked to Mayville.

#### Mayville Property

The Mayville Property consists of unpatented mining claims located approximately 35 km north of the Makwa Deposit. The 22 km long contiguous land position is accessible from gravel and dirt roads and locally by logging roads. The cumulative 89% interest in the mineral rights to the Mayville Property were acquired through:

- 1) The purchase by Grid of Falconbridge Limited's 72.6% interest in Maskwa Nickel Chrome Mines Limited (MNCM) completed in May 2005. MNCM owns a 40% interest in a venture covering the Mayville Property. The acquisition involved the payment of \$120,000 cash on closing and the issuance of 400,000 common shares of Grid. A non-interest bearing note of \$210,000 is also payable over five years to Falconbridge at the time commercial production is commenced from the Property.
- 2) The purchase by Grid of the remaining venture interest owned by Exploratus Inc. (a private company). The purchase price totaled \$500,000 and was payable in the form of \$90,000 cash paid on

closing, a note for \$165,000 due in 18 months from closing and 700,000 common shares subject to various hold and escrow periods. The purchase has been completed. Grid subsequently purchased the net smelter royalty from Exploratus for 600,000 common shares.

On February 20, 2013, the Company announced a new resource estimate. The indicated resource amounted to 24.3 million tonnes at 0.45% copper and 0.19% nickel (0.69% copper equivalent). Inferred resources amounted to 4.1 million tonnes at 0.45% copper and 0.18% nickel (0.68% copper equivalent). The updated resource estimate was reported at a \$20 NSR cut-off. The Company has completed a Preliminary Economic Assessment based on co-development of the Mayville and Makwa deposits.

#### Lithium Assets – (Mayville Lithium)

During 2017 the Company acquired the lithium and rare metal rights to a property adjacent to the Mayville Property from Tantalum Mining Corporation of Canada. The Company had previously acquired the base and precious metal rights via an option agreement signed in 2010. The property is subject to a 2% NSR and Tantalum Corporation of Canada has the right to acquire at commercial terms any lithium or rare metals products produced from the property.

#### Ontario

##### East Bull Lake

The Company controls the mineral rights to unpatented mining claims in Ontario referred to as the East Bull Lake Property. East Bull Lake hosts widespread palladium-platinum mineralization which occurs as “Contact style “mineralization over kilometer scale strike length.

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.

##### Other - Bannockburn Nickel Project

The Company controls the mineral rights to unpatented mining claims in Ontario referred to as the Bannockburn Nickel Project.

Bannockburn was acquired from Outokumpu Mining by the Company in 2003. Grid drilled an occurrence of Kambalda Style nickel sulphide mineralization at the “C-Zone” of the property. A large Mt. Keith type dunite target also exists at the Bannockburn Property. Bannockburn will be an important asset of the Company as nickel prices strengthen and the scarcity of quality nickel exploration targets becomes apparent.

## 5. SUMMARY OF QUARTERLY RESULTS

### Selected financial information for the last 8 fiscal quarters:

	2019 Q2	2019 Q1	2018 Q4	2018 Q3
	\$	\$	\$	\$
(a) Net loss	(180,951)	(194,717)	(75,065)	(388,380)
(b) Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)
	2018 Q2	2018 Q1	2017 Q4	2017 Q3
	\$	\$	\$	\$
(a) Net income (loss)	(331,930)	(245,152)	104,596	(36,747)
(b) Basic and diluted loss per share	(0.01)	(0.01)	0.00	0.00

## **Comments on quarterly results**

### 2019 – Q2

Results from the quarter were a loss of \$180,951 vs \$245,152 for the 2018 period. During 2019 Q2 professional fees of \$87,838 were incurred (2018 Q2 - \$148,588) and due diligence fees of nil were incurred (2018 Q2 - \$98,348).

### 2019 – Q1

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

### 2018 – Q4

Results from the quarter were a loss of \$75,065 vs income of \$104,596 for the 2017 period. Q4 2018 includes the following – stock-based compensation nil (2017 - \$534,435); impairment of capital asset nil (2017 - \$201,000); shareholder indemnification recovery \$165,899 (2017 – 533,913); deferred income tax recovery nil (2017 - \$463,000); due diligence fees \$45,331 (2017 – nil); office general and administrative and professional and consulting fees \$156,340 (2017 – \$77,735).

### 2018 – Q3

Results from the quarter resulted in a loss of \$388,380 vs a loss of \$36,747 for the 2017 period. The corresponding period for 2017 was one of extremely limited corporate activity. For the 2018 Q3 costs associated with the acquisition and evaluation of the Atikokan Property during the quarter were \$163,933 (2017 – Nil). The Company also incurred business and IT services costs of \$10,834 (2017- Nil); advisory services fees of \$53,333 (2017- Nil); return to normal fees paid to senior management \$64,750 (2017 - \$28,500) as well as general and administrative costs of \$70,461 (2017 - \$15,504).

## **6. LIQUIDITY**

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

The Company has working capital at June 30, 2019 of \$957,064 (December 31, 2018 – \$1,431,305).

During 2015, the Company’s flow-through renunciation and related expenditures from 2010 to 2013 were audited by the Canadian Revenue Agency (“CRA”). CRA determined that certain amounts reported as eligible expenditures did not qualify as such. The Company has recorded a liability in the amount of \$200,000 at June 30, 2019 which management estimates is adequate to cover potential future claims.

## **7. CAPITAL RESOURCES**

During the six months ended June 30, 2019 there were no unusual factors that affected the Company’s capital resources.

## **8. OFF-BALANCE SHEET ARRANGEMENTS**

As at June 30, 2019 and 2018, the Company did not have any off-balance sheet arrangements.

## 9. TRANSACTIONS WITH RELATED PARTIES

Director's fees, professional fees and other compensation of directors and key management personnel were as follows for the six months ended June 30:

	2019	2018
	\$	\$
Short-term compensation and benefits	129,500	129,499
Share-based payments (stock option grants)	-	-
<b>Total key management compensation</b>	<b>129,500</b>	<b>129,499</b>

As at June 30, 2019, accounts payable and accrued liabilities include \$4,520 (2018 – \$4,520) owing to key management personnel.

Legal fees were charged by a legal firm during the six months ended June 30, 2019, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of \$1,738 (2018 - \$74,435). Accounts payable and accrued liabilities includes Nil owing to the legal firm (2018 – \$12,180).

Amounts due to related parties included in accounts payable, are unsecured, non-interest bearing, and have no fixed terms of re-payment.

## 10. EVENTS AFFECTING THE COMPANY'S FINANCIAL CONDITION

During the six months ended June 30, 2019 there were no unusual factors that affected the Company's financial condition.

## 11. PROPOSED TRANSACTIONS

There are no proposed transactions other than normal ongoing activities.

## 12. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Capitalization of mining interest costs

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

### Impairment of mining interests and capital assets

While assessing whether any indications of impairment exist for mining interest assets and capital assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, and economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mining interest assets. Internal sources of information include the manner in which mining interest assets and capital assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future after-tax cash flows

expected to be derived from the Company's mining interests, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and capital assets.

#### **Income taxes and recoverability of potential deferred tax assets**

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

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

#### **Share-based payments**

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

#### **Mineral reserve estimates**

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

### **Commitments and contingencies**

Refer to Notes 6 and 9 of the Company's June 30, 2019 consolidated financial statements.

### **13. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGE IN ACCOUNTING POLICY**

#### Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

#### Change in accounting policy

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

#### IFRS 9 Financial Instruments

IFRS 9 replaces International Accounting Standard (“IAS”) 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the main change in the Company's accounting policy on financial instruments is equity investments previously classified as available-for-sale are now classified as financial assets measured at FVPL.

## **14. FINANCIAL ASSETS, LIABILITIES AND OTHER RISK EXPOSURE**

### **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 FVPL or 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, 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 earnings (loss).

### **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 earnings (loss).

## **Credit Risk**

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

## **Liquidity Risk**

The Company's main source of liquidity is derived from its common stock issuances. As at June 30, 2019, the Company had current assets of \$1,194,453 (December 31, 2018 - \$1,667,975) to settle current liabilities of \$237,389 (December 31, 2018 - \$236,671). 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 stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

## **Sensitivity Analysis**

Management's view with respect to interest rate and foreign exchange risks is as follows:

- (i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
- (ii) The Company does not have exposure to foreign exchange risk.

## **Land access and permitting**

The Company is required to obtain permits to conduct exploration and evaluation activities on its properties and part of that process requires consultations with First Nations. In management's view there is

uncertainty concerning the First Nation's consultation process, and there are risks of permitting delays. The impact of any delays on the Company's operations is unknown.

### **Operating Risk**

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

## **15. OTHER DISCLOSURES**

### **Share Capital**

#### Common Shares

As at June 30, 2019, and the date hereof, there were 42,416,610 common shares of the Company outstanding (December 31, 2018 – 42,034,264).

#### Warrants

At June 30, 2019 and the date hereof there were a total of 12,661,285 warrants outstanding (December 31, 2018 – 12,361,285).

#### Options

At June 30, 2019, and the date hereof, there were a total of 1,855,000 stock options outstanding (December 31, 2018 – 2,067,500).

### **Directors and officers of the Company**

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

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

### **Additional Information**

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