Gratomic Inc.
(Formerly CKR Carbon Corporation)
MANAGEMENT DISCUSSION AND ANALYSIS
(Form 51-102F1)
For the period ended September 30, 2018

This MD&A is dated November 29, 2018

On December 22, 2017, the Company changed its name to Gratomic Inc. (formerly CKR Carbon Corporation) (hereafter the "Company" or "Gratomic Inc."), which was incorporated under the Business Corporations Act (Ontario), R.S.O. 1990, on February 27, 2007 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's corporate office is located at 69 Younge St Suite 1010, Toronto, Ontario, Canada. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration and evaluation assets located in Canada and Namibia.

The following is the management discussion and analysis ("MD&A") of the financial condition, changes in financial condition and results of operations of Gratomic Inc.for the nine months ended September 30, 2018. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2018 (www.sedar.com) which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of financial statements, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The reader should also refer to the audited financial statements for the year ended December 31, 2017. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets 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, the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

Unless otherwise specified, all dollar amounts herein are expressed in Canadian currency.

Additional information on the Company may be found on SEDAR on www.sedar.com

Forward-Looking Information

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) assumptions about the price of metals; (ii) that there are no material delays in the optimisation of operations at the exploration and evaluation assets; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that there is no unanticipated fluctuation in foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of base metals; (ii) the risk that the Company will continue to have negative operating cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; and (vi) environmental risks and changes in environmental legislation.

This MD&A (See "Risks and Uncertainties") contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

Annual Information

	2017	2016	2015
	$	$	$
Revenue	-	-	-
Loss and comprehensive loss for the year	(1,837,992)	(612,313)	(535,053)
Loss per common share	(0.03)	(0.02)	(0.03)
Weighted average number of common shares	70,112,442	32,858,114	16,368,054
Working capital (deficit)	2,206,886	(15,945)	(300,182)
Total assets	7,441,237	2,816,063	1,410,906

Oulook and Performance Highlights

Outlook
Gratomic Inc. is an advanced materials company focused on mine to market commercialization of graphite products most notably high value graphene based components for a range of mass market products. With its unique Aukam graphite asset the Company is poised to replace a large part of declining production capacity of vein graphite from Sri Lanka

Aukum graphite asset
Gratomic currently owns 63% of the historical Aukam graphite mine in Southern Namibia. Aukam graphite has been tested in several high value applications including nano engineered graphenes. The Aukam

graphite when converted to graphenes have proven suitable for inks & pastes for the printed electronics industry, super hydrophobic graphene variants for architectural and marine coatings, elastomers for cycle, passenger vehicle tires and elements for resistive heaters. There is year round road access to the Aukam project from paved Highway B4 that runs between Luderitz and Keetmanshoop via district gravel roads south from the Highway. The infrastructure in the area is good with nearby power from the national grid, water from underground aquifers and a rail link to Luderitz and Keetmanshoop adjacent to Highway B4 approximately 70 km north of the project.

In addition to the underground workings on the Aukum property, there are five unprocessed stockpiles that remain from the historical mining. These stockpiles still contain significant graphite and assays of samples taken during detailed sampling on a 10m x 10m grid ranged between 3.98 and 57.07% Cg (carbon as graphite) and averaged 20.04% Cg. The stockpiles provide the company with a supply of high grade graphite that is ready to be processed in the near term.

Performance highlights

During 2018 a private placement of 23,425,000 working capital units at a price of $0.10 per unit for aggregate gross proceeds of $2,342,500 was completed. In addition the Company has announced another private placement under which it is expected that an additional $2,500,000 will be raised.

During 2018 operations have been focussed on:

1. Building a prototype graphite flotation processing line and testing its output to ensure quality graphite can be produced with the purity needed for the manufacture of graphene.
2. Building the infrastructure necessary to provide offices, lab facilities, warehousing, and housing facilities for staff at the mine.
3. Exploration activities to identify new resources

Gratomic has entered into negotiations for a substantial joint venture agreement to provide customers with end product graphenes. The Company and its joint venture partner, Perpetuus Carbon Technologies Limited (“Perpetuus”), a wholly owned subsidiary of Perpetuus Advanced Materials, are planning a development program primarily targeted towards elastomer and polymer tire markets.

Perpetuus and Gratomic executed a letter of collaboration pursuant to which Perpetuus undertook to build three specialized process tooling chambers (“Chambers”) to be used solely for manufacturing Graphite from Gratomic’s historical Aukam Graphite mine in Namibia.

The first of such Chambers was financed by Gratomic Inc., has passed the testing phase and is ready to process the Aukam sourced graphite. The second Chamber is presently under construction and the third is to follow immediately thereafter.

Exploration and Evaluation Expenditures

Exploration and Evaluation Expenditures for the three and nine months ended September 30, 2018 are summarized as follows:

	For the three months ended September 30, 2018			
	$			
	Aukam	Montpellier	Buckingham	Total
Geological	275,333	-	-	275,333
Infrastructure build	329,641	-	-	329,641
Prototype testing	329,728	-	-	329,728
Total	934,703	-	-	934,703

	For the nine months ended September 30, 2018			
	$			
	Aukam	Montpellier	Buckingham	Total
Geological	488,377	4,160	225,921	718,458
Infrastructure build	329,641	-	-	329,641
Prototype testing	329,728	-	-	329,728
Total	1,147,747	4,160	225,921	1,377,828

Results of Operations

The following table provides selected financial information that should be read in conjunction with the consolidated financial statements of the Company for the periods ended September 30, 2018 and 2017.

	For the three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Operating expenses	(526,887)	(249,586)	(1,552,151)	(1,011,933)
Net loss	(524,486)	(233,634)	(1,526,742)	(995,981)
Net loss per share	(0.006)	(0.003)	(0.020)	(0.015)
Mining interests	5,577,891	2,850,842	5,577,891	2,850,842
Total assets	8,698,001	3,931,211	8,698,001	3,931,211

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 periods ended September 30, 2018 and 2017 are summarized as follows:

	Three months ended September 30, $		Nine months ended September 30, $	
	2018	2017	2018	2017
Consulting	21,860	21,000	21,860	42,000
Filing fees and permits	8,363	342	28,353	7,730
Investor relations	140,755	9,883	219,526	14,304
Management fees	93,800	33,910	244,300	97,323
Marketing	37,389	100,536	388,353	113,880
Office and other	108,839	(1,181)	147,793	11,019
Professional fees	27,469	37,096	134,183	95,980
Share-based compensation	-	48,000	167,727	588,000
Travel, meals and accomodation	101,069	-	189,085	41,697
Amortization	(12,656)	-	10,972	-
	526,887	249,586	1,552,151	1,011,933

Exploration and Evaluation Assets

The technical content of the mineral property disclosure in this MD&A has been reviewed and approved by Roger Moss, Ph.D., P.Geo, a qualified person as defined by National Instrument 43-101. Except where noted the property disclosure in this MD&A has not been the subject of a National Instrument 43-101 report.

Aukam Graphite Project, Namibia

During the year ended December 31, 2015, the Company acquired 100% of the issued and outstanding share capital of Gratomic Graphite (pty) Limited (“GGraph”) (formerly Micron Investment Pty. Ltd.) which held an option to acquire 63% of Gazania Investments Two Hundred and Forty Two (Pty) Ltd (“Gazania”). Gazania holds an Exclusive Prospecting License (EPL) number 3895 (the “License”) for the Aukam Graphite Project located in Namibia’s Karas Region, Africa. Gazania has been accounted for as an asset acquisition. In consideration for the transfer of the option and net assets of $39,255, the Company issued 3,500,000 common shares (issued at a value of $350,000) and agreed to pay $30,000 in cash. The excess amount paid over the net assets acquired was allocated to the mineral property.

Under the terms of a Joint Venture Agreement dated June 8, 2015, and amended July 17, 2015, between the Company and Next Graphite Pty. Ltd. (“Next”), and a subsequent Farm-out Agreement dated September 12, 2016, between the Company and Next, the Company earned 63% of Gazania by spending USD $1,100,000 on the property (completed March 31, 2017).

The Company has the option to buy an incremental 10% of Next’s remaining interest for a cash payment of USD$180,000.

Under Namibian laws royalties are payable in connection with the Aukam Graphite Project as follows:

a) A 2% revenue royalty is payable to the individual who farms the property.
b) A 3% revenue royalty is payable to the Namibian government.
c) A 6% net profit royalty is payable to employees working on the project.

During Q1-2018, Gratomic completed the construction and start up of a prototype processing plant to test and refine the processes that will be used when commercial production commences.

The prototype plant was constructed between December 2017 and March 2018. To date, the plant has generated 5.5 tonnes of graphite concentrate grading between 88%-96% Carbon as Graphite (“Cg”) of which 3.25 tonnes have been shipped to Perpetuus Carbon Technologies ("Perpetuus") to test the manufacture of graphenes to be used in the automobile and bicycle tire industry.

The Aukam processing plant will use a simple crushing, grinding and flotation system. Construction is underway for the installation of a mill with a 10,000 tonne per annum capacity. Graphite feed for the prototype plant was obtained from screening and sorting of existing stockpiles from historical mining. An average feed grade of 56.29% Cg with a range of 41.55% Cg to 63.87% Cg was determined from ten, 2kg to 30kg, grab samples of lump graphite taken from across the stockpile (see June 3, 2016 and July 12, 2016 news releases). Note that assays of grab samples should not be taken as representative of the mineralization on the Aukam property as a whole.

Gratomic also carried out ground electromagnetic (HLEM) and magnetic surveys in two areas of the EPL. The first area adjoins the surveys completed in January 2017 over the mine area at Aukam, extending the strike length covered to 1.6 kilometres. Electromagnetic anomalies found within this area extend those found in the original survey by approximately 550 metres, for a total strike length of 1.3 kilometres. Distinct drill targets are present along this trend. The second area covers the Snyman graphite occurrence in the northeastern portion of the EPL. North northeast trending magnetic anomalies in this area are believed to be diabase dykes. The most predominant EM anomaly occurs in the northwest part of the grid and extends over approximately 150 metres. A second weaker EM anomaly occurs further east and extends over approximately 600 metres. Both of these anomalies are thought to be associated with the graphite mineralization in the area.

On March 6, 2018, the Company announced the granting of an additional Exclusive Prospecting Licence, Number 6710 ("EPL 6710") by the Namibian Ministry of Mines and Energy. Title to EPL 6710 is registered to Luxury Investments Two Hundred and Sixty Four (PTY) Ltd., a Namibian company, of which the Company holds 91%. The remaining 9% is held by a local Namibian pursuant to the Republic of Namibia's New Equitable Economic Empowerment Framework (www.opm.gov.na/neeef). EPL 6710 has an initial exclusivity period of 3 years.

EPL 6710 is located immediately east and north of, and contiguous with, EPL 3895 that covers the Aukam graphite deposit and the Snyman graphite occurrence. The application for EPL 6710 was submitted in order to cover the potential strike extension of the Snyman graphite occurrence to the east. In addition, EPL 6710 covers an additional area considered prospective for graphite within the "Aukam window" where the rocks hosting the Aukam and Snyman graphite are exposed beneath the regional unconformity at the base of the Nama Group sedimentary rocks. The addition of the new EPL increases the area of prospective geology covered to 63,072 hectares (630 square kilometres).

Montpellier Graphite Property, Quebec

On December 9, 2013, the Company entered into an option agreement, with a corporation that was related by virtue of a common director, to acquire certain claims located in the Hartwell Township, Casse Laurentides Region in Quebec. As consideration, the Company:

i) issued 400,000 common shares (issued at a value of $210,000);
ii) issued 66,667 common shares by December 9, 2014 (issued at a valued at $6,000);
iii) incurred $50,000 in exploration expenditures by December 9, 2015. (The Company issued 400,000 common shares at a value of $34,000 on October 12, 2016 in satisfaction of this condition.)

The vendors were granted a 2% Net Smelter Royalty ("NSR"). The Company has the right to repurchase a 1% NSR from the vendors for $1,000,000.

The property hosts graphite mineralization in a zone 15 meters wide, and has been delineated over a strike length of 250 meters by historical drilling and trenching. The historical drilling at Montpellier included one drill hole with a weighted average of 10.47% Cg (Carbon as graphite) over 44.97 meters and 12.33% Cg over 21.64 meters. (*1984, Ministere de l'Energie et de Ressources Quebec,Report Nos. GM42965, 80p; GM41744, 41p.*). Note that estimates of true thickness were not determined in the historical drilling. Two other graphite zones occur 575 meters east of the main zone of mineralization.

During 2016 an airborne electromagnetic and magnetic survey was carried out over the property to determine possible extensions to the graphite mineralization. Results of the survey indicate a single, wide, prospective area defined by electromagnetic conductors and associated magnetic anomalies that appear to be folded into a "C" shape about an east-west trending axis. The strike length of the folded conductors and associated magnetic anomalies is more than 2.2 kilometres.

During 2017, work carried out at Montpellier, included prospecting and searching for historical drill hole collars. The work was carried out in preparation for a drilling program, but ultimately it was decided to focus drilling on the Buckingham property (see below).

<u>Buckingham, Quebec</u>
In February 2013, the Company entered into an option agreement, amended on April 22, 2014, to acquire a 100% interest in the Tac, Lac Vert and Buckingham properties located in the Province of Quebec. In consideration, the Company:

- i) issued 266,667 common shares (issued at a value of $160,000);
- ii) issued 66,667 common shares by April 6, 2014 (issued at a value of $30,000);
- iii) issued 33,333 common shares by September 16, 2014 (issued at a value of $1,500);
- iv) issued 33,333 common shares by March 15, 2015 (issued at a value of $4,000);
- v) expended exploration expenditures of $40,000 on or before May 31, 2013;
- vi) expended exploration expenditures of $110,000 by February 25, 2016.

The Company also issued 26,667 common shares (at a value of $16,000) as a finder's fee.

The vendor has been granted a 3% NSR. The Company has the right to repurchase a 1% NSR from the vendor for $1,000,000.

An airborne time domain electromagnetic (TDEM) survey flown over the Buckingham project during 2016 resulted in several anomalies. The largest conductor stretches over 1.54 kilometres in a northeast-southwest direction. The northeastern portion of this conductor is coincident with graphite mineralization in the Case Zone from which 35 grab samples collected in 2015, yielded values ranging from 1.6% carbon as graphite (Cg) to 28.7% Cg (See news releases dated May 22, 2015 and November 4, 2015). The length of the conductor suggests that the Case Zone may be longer than previously thought.

Trenching during Q4-2016 tested the long TDEM conductor with five trenches from 15 to 70 metres long oriented perpendicular to the conductor axis. A sixth trench, of approximately 30 metres, tested a smaller adjacent conductor. All trenches uncovered zones of graphite mineralization hosted primarily by paragneiss.
Highlights of the trench sampling include 8.33% Cg (Carbon as graphite) over 11.3 metres, 2.76% Cg over 15 metres, 2.23% Cg over 27 metres and 1.52% Cg over 65.5 metres. Individual samples assayed between 0.02% Cg and 17.3% Cg, with an average of 1.92% Cg for the 158 samples.

In 2017 $ 270,729 (2016-$70,288) was invested in the Buckingham project. The main work carried out on the project during 2017 was a trenching and drilling program, designed to follow up on the successful results of the 2016 trenching program, highlights of which included 8.33% Cg (Carbon as graphite) over 11.3 metres, 2.76% Cg over 15 metres, 2.23% Cg over 27 metres and 1.52% Cg over 65.5 metres.

The 2017 trenching and drilling aimed to test the electromagnetic conductor further to the south and to test for graphite at depth below the 2016 trenches. Highlights of the work included: 15.0% Cg over eight metres in Trench 2, 7.35% Cg over 12 metres in hole CK17-01, and 6.06% Cg over 88 metres from nine metres that included a higher-grade interval of 20.69% Cg over 8 metres in hole CK17-02. A summary of the results is given in the table below.

Hole/Trench ID	From (m)	To (m)	Width (m)*	Cg (%)
CK17-01	53	106	53	3.52
including	94	106	12	7.35
CK17-02	9	97	88	6.06
including	75	95	20	7.52
and	11	31	20	**12.09**
including	22	30	8	**20.69**
CK17-03	35	59	24	2.64
CK17-04	58	76	18	6.25
	156	199	43	9.54
CK17-05	49	89	40	5.68
including	55	70	15	7.36
17-TR01			5	9.87
17-TR02			13.4	**10.50**
including			8	**15.00**
17-TR03			19.85	6.67

*Note that width's are downhole or channel sample lengths and may not represent true width

Several graphite horizons are present, typically associated with carbonate horizons in the widespread quartzo-feldspatic gneiss. The highest graphite grades are generally found within marble zones in the gneiss.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters.

Three Months Ended	September 30 2018 $	June 30 2018 $	March 31 2018 $	December 31 2017 $
Interest Income	-	-	-	-
Exploration and evaluation assets	5,577,891	4,643,188	4,683,366	4,200,063
Deficit	11,783,761	11,259,275	10,636,523	10,257,019
Total Assets	8,698,001	6,884,582	7,343,276	7,353,080
Net and Comprehensive Loss	524,486	622,752	379,504	841,914
Basic and Diluted Loss Per Share	0.006	0.006	0.00	0.01

Three Months Ended	September 30 2017 $	June 30 2017 $	March 31 2017 $	December 31 2016 $
Interest Income	-	-	34	-
Exploration and evaluation assets	2,850,842	2,407,074	2,228,463	1,972,749
Deficit	9,415,008	9,181,470	8,504,488	8,419,027
Total Assets	3,931,211	4,055,982	4,318,132	2,816,063
Net and Comprehensive Loss	233,634	676,983	85,461	280,562

Basic and Diluted Loss Per Share	0.003	0.01	0.00	0.008

Q3 2018
During the quarter the Company incurred a loss of $524,486 (2017 – 233,634). The loss is indicative of the Company's efforts to make investors more aware of the positive prospects it has with its Aukam graphite project. In addition the Company was actively raising money during the quarter which also increased costs in a number of areas. During the quarter expenditures on investor relations amounted to $140,755 (2017 - $33,910); management fees amounted to $93,800 (2017 - $33,910); expenditures on travel meals and accomodation amounted to $101,069 (2017 – Nil); office and other expenses amounted to $108,839 (2017 – a recovery of $1,181) which includes a foreign exchange loss of $59,000; stock based compensation amounted to Nil (2017 - $48,000).

Q2 2018
During the three months ended June 30, 2018, the Company incurred a loss and comprehensive loss of $655,020 (2017 - $676,983).

i) $808,159 was invested in exploration and evaluation and infrastructure at the Company's Aukam graphite project in Namibia to bring the total investment in the property to $3,349,003.
ii) $541,470 was invested in the purchase of three specialized process tooling chambers to be used solely for processing graphite from the Aukam property.
iii) Investor relations fees paid during the quarter were $42,076 compared to $3,137 paid during the second quarter of 2017.
iv) Marketing expenses of $230,200 were incurred during the quarter to develop markets and products for the Company's graphite. Marketing expenses incurred in the same period in 2017 totaled $2,000.
v) Management fees paid during the quarter totalled $81,500 compared to management fees of $30,413 incurred in the same three months of 2017.
vi) During the quarter the Company issued 1,150,000 stock options with a fair value $138,150 to purchase common shares of the Company at a weighted average exercise price of $0.145. The options vested immediately and have a term of five years.

Q1 2018
During the three months ended March 31, 2018, the Company incurred a loss and comprehensive loss of $379,504 (2017 - $85,461).

i) $330,095 was invested in exploration and evaluation and infrastructure at the Company's Aukam graphite project in Namibia to bring the total investment in the property to $4,107,091 at the end of the period.
ii) $225,921 was spent in exploration and evaluation activity at the Company's Buckingham property in Quebec.
iii) Marketing expenses, that were primarily related to the marketing and development of graphite derived graphenes hybrids for use in tire elastomers and other advanced materials totaling $120,764 were incurred during the period. Marketing expenses incurred in the same period in 2017 totaled $11,344.
iv) Management fees paid during the period totalled $69,000 compared to management fees of $33,000 incurred in the first quarter of 2017.
v) During the period the Company issued 250,000 stock options with a fair value $29,577 to purchase common shares of the Company to a director of the Company at an exercise price of $0.14. The options vested immediately and have a term of five years.
vi) $328,100 was received from the issue of 1,600,000 shares upon the exercise of warrants and $27,000
was received from the issuance of 390,000 shares upon the exercise of stock options.

Q4 2017
During the quarter ended December 31, 2017, the Company incurred a loss and comprehensive loss of $841,914 (2016 - $280,562).

i) Completed a private placement of 39,909,143 units at a price of $0.07 per unit for a total proceeds of $2,793,640. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.10 per Warrant Share until the earlier of: (i) three years following the closing of the Offering; and (ii) in the event that the closing price of the common shares on the TSX-V is at least $0.30 for twenty consecutive trading days, and the 20th trading day (the "Final Trading Day") is at least four months from the closing of the Offering, the date which is thirty days from the Final Trading Day

ii) Granted 4,300,000 stock options with a fair value of $343,548 to officers, directors and consultants of the Company, exercisable at $0.10 per share for a period of up to five years.

iii) Invested $216,760 in evaluation, environmental impact assessments and site infrastructure at its Aukam project.

Liquidity

The Company has no significant revenues and no expectation of significant revenues in the near term. In order to manage this risk, the Company closely monitors its cash requirements and expenditures to maintain sufficient liquidity.

As at September 30, 2018, the Company had current assets of $2,106,597 (December 31, 2017 - $2,500,166) to settle current liabilities of $173,194 (December 31, 2017 - $293,280). All of the Company's accounts payable and accrued liabilities have contractual maturities that are subject to normal trade terms.

Future exploration programs will depend on the Company's ongoing ability to raise funds. Gratomic Inc. is an exploration stage company and continues to rely on equity offerings and other partnership arrangements to fund its exploration activities. There can be no assurance that funds will be available.

Capital Resources

Other than the private placement as disclosed under Performance Highlights herein, during Q3 2018 there were no unusual factors that affected the Company's capital resources.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Transactions With Related Parties

During the period ended September 30, 2018, the Company had the following related party transactions:

a. Director's fees, professional fees and other compensation in the amount of $430,285 (2017 – 737,500), which amount includes stock option benefits with an estimated value of $40,000 (2017 - $534,500), were paid or payable to directors and key management personnel in the form of short-term salaries and benefits.
   - In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.
   - The remuneration of directors and key executives is determined by the compensation committee.

b. Legal fees in the amount of $49,873 (2017 – Nil) were paid or payable to a law firm whose partner is an officer of the Company.

Included in accounts payable and accrued liabilities at September 30, 2018 was $44,061 (2017 - Nil) owing to directors, and officers, companies owned by directors and officers, and a law firm whose partner is a director and an officer of the Company. These amounts are unsecured, non-interest bearing and due on demand.

Events Affecting the Company's Financial Condition

During Q3 2018 there were no unusual factors that affected the Company's financial condition.

Proposed Transactions

There are no proposed transactions other than a possible private placement to raise $2,500,000.

Critical Accounting Judgements and Key Sources of Estimation Uncetrtainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related contingent assets and liabilities. On an on-going basis, management evaluates the estimates including those related to long-term revenue contracts, intangible assets, bad debts, warranty obligations and income taxes. The estimates are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. The following critical accounting policies include those which involve management's more significant judgments and estimates:

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to its net realizable value.

Capitalization of deferred exploration costs

The company has entered into an agreement to acquire a company holding a mineral licence. The acquisition is being accounted for as advances toward the purchase of a company interest in accordance with IFRS 10 and capitalized to the statement of financial position. Upon attaining control of such company the Company will consolidate as a subsidiary.

Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

Deferred income taxes

Deferred income tax assets are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing for reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. In accessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. The Company has not recorded deferred tax assets as at December 31, 2017.

Property and equipment

Management reviews the carrying value of long lived assets including plant and equipment and amortizable intangible assets for impairment to determine if the carrying value of an asset may not be recoverable due to changes in the current and expected future use of the asset, external valuations of the asset, and the obsolescence or physical damage to the asset. If such indicators of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Recent Accounting Pronouncements

The international Accounting Standards Board has issued the following Standards, interpretations and amendments to Standards that are not yet effective and while considered relevant to the Company have not yet been adopted by the Company.

Effective for annual periods beginning on or after October 1, 2018

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

FRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company is evaluating the effect that these standards will have on its financial statements.

Financial Instruments

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

Cash and amounts receivable, are classified as loans and receivables and 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 and the conversion feature on the convertible debenture are classified as FVTPL and are measured at fair value.

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

The Company's financial instruments that are carried at fair value consist of marketable securities and the conversion feature on the convertible debenture. The marketable securities have been classified as level 1, while the conversion feature on the convertible debenture does not have quoted market prices and has been classified as level 2 within the fair value hierarchy.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly during the period.

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 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 September 30, 2018, the Company had current assets of $2,106,597 (December 31, 2017 $2,500,166) to settle current liabilities of 173,194 (December 31, 2017 $293,280). The Company's financial liabilities generally 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
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

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

(ii) The Company holds balances in foreign currencies that give rise to exposure to foreign exchange risk, however at any point in time the balances are not significant. The Company estimates that a 10% increase or decrease in the foreign currency would give rise to a gain or loss of approximately $20,000 respectively.

Other Disclosures

<u>Share Capital</u>
Common Shares -
As at September 30, 2018, and the date hereof, there were 139,094,739 and 141,178,739 common shares respectively of the Company outstanding (December 31, 2017 – 111,066,989).
Warrants
At September 30, 2018 and the date hereof there were a total of 79,183,533 warrants outstanding (December 31, 2017 – 59,028,783).
Options
At September 30, 2018, and the date hereof, there were a total of 11,050,000 stock options outstanding (December 31, 2017 – 10,563,334).

Directors and officers of the Company -
Sheldon Inwentash, Co-Chief Executive Officer and Director
Arno Brand, Co-Chief Executive Officer and Director
Daniel Bloch, Director
Denis Laviolette, Director
Steven Gray, Director
Bill Johnstone, Corporate Secretary
Rodger Roden, Chief Financial Officer

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