Gratomic Inc.
MANAGEMENT DISCUSSION AND ANALYSIS
(Form 51-102F1)
For the nine months ended September 30, 2019

This Management Discussion and Analysis is dated November 28, 2019

Gratomic Inc. (hereafter the "Company" or "Gratomic Inc."), 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: GRAT). The Company's corporate office is located at 130 Spadina Avenue, Suite 401, Toronto ON, M5V 2L4. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration 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 three and nine months ended September 30, 2019. The MD&A should be read in conjunction with the Company's financial statements for the year ended December 31, 2018 and its interim unaudited condensed consolidated financial statements for the nine months ended September 30, 2019, (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").

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

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration 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, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. These conditions indicate the existence of material uncertainties which cast significant doubt on the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

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

The interim consolidated statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has incurred a loss for the nine months ended September 30, 2019 of $2,514,405and has an accumulated deficit of $16,168,593. The Company is a junior mining company and is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, and the ability to maintain adequate cash flows, and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the 12-month period ended September 30, 2020 and therefore the Company will be required to secure additional funding. These challenges and the continued cumulative operating losses cast significant doubt on the Company's ability to continue as a going concern. These consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments can be material.

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.

Outlook 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

Aukam 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 and 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 Aukam property, there are five unprocessed stockpiles that remain from the historical mining. These stockpiles still contain significant graphite with 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 (see Technical Report on the Aukam Graphite Deposit, Bethanie District, Karas Region, Namibia - September 12, 2016, gratomic.ca). The stockpiles provide the company with a supply of high grade graphite that is ready to be processed.

Performance highlights

During the three months ending September 30, 2019 –

- In July, 2019 the Company entered into an agreement with VIVO Shell to invest N$700,000 into the construction of a bulk 50,000 litre fuel storage facility that will be erected at the Aukam Fuel depot located within 1.2 km from the mine site.
- Also in July, 2019 the Company had discussions with Namibia's largest mining contractor "LEWCOR" and is reviewing plans to initiate mining and earth moving operations.
- To to date a total of 350 tonnes of graphitic material has been stockpiled at the processing site ready for beneficiation.
- On August 9, 2019, the Company announced the resignation of Mr. Daniel Bloch as a director of the Company in order to focus full-time on his law practice.
- On August 15, 2019, the Company announced that Mr. Jakson Inwentash has been appointed a director of the Company. Mr. Jakson Inwentash is a senior analyst at ThreeD Capital Inc., a venture capital firm, where he leads the trading of cryptocurrencies and focuses on identifying, researching, and meeting with early stage companies in various disruptive industries.
- Operationally, the Company announced that it has put on hold updating the drying circuit pending financing. The Company will utilize the existing drying circuit which can manage the material drying requirements in the interim.
- During the three months management curtailed ongoing mining costs at the Aukam Mine by approximately 75%.

During October, 2019 –

- On October 17, 2019 the Company signed an agreement with Todaq Star Program Phase 1 Corp. ("Todaq"), a subsidiary of TODAQ Holdings Inc. ("TODAQ Holdings"), to supply Todaq with an aggregate of US$25,000,000 of graphite from its Aukam project.
- On October 24, 2019, the Company reported that it completed the crushing and grinding circuit enhancing the circuit's capacity to 50 metric tonnes per hour. The Company also completed the installation and setup of the Processing Plant's Rougher, Cleaner and Scavenger flotation columns.
- To date the Company has put 178 tonnes of product through the existing pilot plant systematically increasing the grade to commercially desirable 95% – 97% Cg (Carbon in Graphite). It has further indicated that it is able to upgrade this material through air classification to over 99% Cg.
- On October 29, 2019, the Company announced the receipt of positive results from extensive testing of its graphene enhanced tires, versus globally recognized, premium brand tires. The Company believes these results represent a breakthrough in tire technology that warrants deployment into the global tire market.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the nine months ended September 30, 2019 are summarized as follows:

Outlays by expenditure category, by project, for the three months ended September 30, 2019 and 2018 are as follows:

	Aukam Namibia project		Montpellier Quebec project		Buckingham Quebec project		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$
Drilling	-	-	-	-	-	-	-	-
Field work, supplies and other	53,190	195,563	-	-	-	-	53,190	195,563
Assays	-	-	-	-	-	-	-	-
Geological and other consulting	81,670	470,896	-	-	-	-	81,670	470,896
Bulk sampling	-	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-	-
Travel and accomodation	(5,225)	-	-	-	-	-	(5,225)	-
	129,634	666,459	-	-	-	-	129,634	666,459

Outlays by expenditure category, by project, for the nine months ended September 30, 2019 are as follows:

	Aukam Namibia project		Montpellier Quebec project		Buckingham Quebec project		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$
Drilling	1,698	-	-	-	-	-	1,698	-
Field work, supplies and other	244,160	228,471	-	4,160	-	225,921	244,160	458,552
Assays	-	-	-	-	-	-	-	-
Geological and other consulting	316,293	550,098	-	-	-	-	316,293	550,098
Bulk sampling	-	-	-	-	-	-	-	-
Transport	-	29,042	-	-	-	-	-	29,042
Travel and accomodation	51,083	71,892	-	-	-	-	51,083	71,892
	613,234	879,503	-	4,160	-	225,921	613,234	1,109,584

Results of Operations

The following table provides selected financial information for the three and nine months ended September 30, 2019 and 2018.

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	$	$	$	$
Operating expenses	(503,625)	(524,486)	(2,545,720)	(1,526,742)
Net loss	(529,778)	(524,486)	(2,514,405)	(1,526,742)
Net loss per share	(0.00)	(0.01)	(0.01)	(0.02)
Exploration and evaluation assets	5,616,296	5,577,891	5,616,296	5,577,891
Total assets	8,591,572	8,698,002	8,591,572	8,698,002

Comments on source and use of funds

During the nine months ended September 30, 2019

1. During the nine months ended $238,741 was raised as a result of; warrants exercised $98,130; and loans of $115,611 provided by directors to the Company to support working capital needs.
2. Cash used in operating activities amounted to $1,773,276 comprised of a loss of $2,514,405 of which $12,718 was a non-cash item, and $753,411 generated from working capital.
3. Investment in plant and equipment, exploration and evaluation assets, amounted to $1,052,307 and proceeds on sale of investment amounted to $59,000.

The Company has cash of $30,700 at September 30, 2019 and will need to raise additional cash during 2019 and 2020 to meet its operating plans for the next twelve months.

<u>Revenues</u>
At this time, the Company has no sales or revenues.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	$	$	$	$
	2019	2018	2019	2018
Consulting	49,842	21,860	422,577	21,860
Filing fees and permits	1,155	8,363	32,490	28,353
Investor relations	5,600	140,755	28,456	219,526
Management fees	87,001	93,800	616,000	244,300
Marketing	143,500	37,389	644,285	388,353
Office and other	79,728	96,182	308,583	158,764
Professional fees	36,540	27,469	110,284	134,183
Share-based compensation	8,492	-	44,033	167,727
Travel, meals and accomodation	91,770	101,069	339,012	189,085
Other	-	(2,401)	-	(25,409)
	503,625	524,486	2,545,720	1,526,742

Comments on the three months ended September 30, 2019:

In general the 2019 Q3 expenses of $503,625 (2018 - $524,486) are in line with 2018. Notable differences include investor relations expense of $5,600 (2018 - $140,755) and marketing expenses of $143,500 (2018 - $37,389).

Comments on the nine months ended September 30, 2019:

Operating expenses for 2019 are higher than 2018 due to Gratomic developing its business model, progressing with its mining activities and making the market aware of its progress. Explanations of significant line items driving increased costs during the nine month period are as follows –

- Consulting includes fees for business consultants, marketing consultants, and graphene product consulting as a result of further developing the Company’s business model.
- Management fees include a bonus in of $350k in recognition of progress made by the business and the success of private placements.
- Marketing includes fees for; advertising services; marketing services for email data base generation; on-line and social media marketing, email and website services; European marketing services; advertising campaign services; marketing campaign services in line with making the market aware of the Company’s progress.
- Travel meals and accommodation, and office and other expenses reflect higher activity levels during 2019 as a result of progressing with mining activities and developing market awareness.

Exploration and Evaluation Assets

The technical content of the mineral property disclosure in this MD&A has been reviewed and approved by Steven Gray, B.Sc., P. Geo, Gratomic’s QP and 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.

Description of properties:

Aukam Graphite Project, Namibia
The Aukam property is comprised of Exclusive Prospecting License (EPL) 3895 in respect of base and rare metals, industrial minerals, and precious metals. The license covers an area of 27,870 hectares on the farm Aukam104 and Harichab121 located in the district of Bethanie, Karas region of southern Namibia.

The Aukam Graphite project is a property located in Namibia's Karas Region in Africa. The rights to explore and develop parts of the property, which are of primary interest, are owned by Gazania Investments Two Hundred and Forty Two (Pty) Ltd ("Gazania"). The Company purchased a 63% interest in Gazania. Under certain terms of the purchase agreements, the Company is required to complete the plant and infrastructure set up (which in progress) necessary to process 5,000 tonnes of graphite per year, and obtain government authorization to begin commercial operations (in progress); the timeline for these activities is referred to herein as the Farm-Out period.

Should completion of the plant and infrastructure set up necessary to process 5,000 tonnes of graphite per year extend nine months beyond receipt of the mining license, the vendor will be paid USD$25,000, per quarter that it is so extended, until the plant and infrastructure set-up are complete. In the event that the necessary plant and infrastructure set up is extended, and the revenue is less than USD$100,000 per month, the Company will loan the vendor US$25,000 per quarter. Interest on the loan will be compounded monthly at a rate equal to one-month term LIBOR plus one.

Should the Company fail to make any required payments until the Farm-Out period is complete or fail to complete the plant infrastructure 6 months after receipt of the mining license, it will forfeit 2% of its interest for each 30-day delay.

Following conclusion of the Farm-Out period the Company will fund all operations to run all plant related activities and expenditures for the first five months. Thereafter, the Company and the vendor will contribute funding proportionate to their respective holdings.

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

A 2% revenue royalty is payable to the individual who farms the property.

Under Namibian laws royalties are payable in connection with the Aukam Graphite Project as follows:
a) A 3% revenue royalty is payable the Namibian government.
b) A 6% net profit incentive, required under the Namibian Economic Empowerment Framework, is payable to employees working on the project.

Montpellier Graphite Property, Quebec
The Montpellier property consists of claims located in the Hartwell Township, Casse Laurentides Region in Quebec. The vendors have been granted a 2% net smelter royalty ("NSR"). The Company has the right to repurchase a 1% NSR from the vendors for $1,000,000. No exploration activities were undertaken during 2019.

Buckingham Property, Quebec
The 100%-owned Buckingham Graphite Property consists of eight claim blocks totaling 480 hectares. The property lies within the Central Metasedimentary Belt of the Grenville Geologic Province 82 km south of Imerys Graphite & Carbon's operating Lac des Iles graphite mine. No exploration activities were undertaken during 2019.

Activities during Q3-2019

During the three months ending September 30, 2019 –

- In July, 2019 the Company entered into an agreement with VIVO Shell to invest N$ 700,000 into the construction of a bulk 50,000 litre fuel storage facility that will be erected at the Aukam Fuel depot located within 1.2 km from the mine site.
- Also in July, 2019 the Company had discussions with Namibia's largest mining contractor "LEWCOR" and is reviewing plans to initiate mining and earth moving operations. In preparation of product sales, a total of 350 tonnes of graphitic material has been stockpiled at the processing site ready for beneficiation. During the first two months of the LEWCOR contract, the stockpile will be further increased to 5,000 tonnes from available surface mine dumps which contain approximately 23,000 tonnes of graphitic material.
- Aug. 9, 2019, the Company announced the resignation of Mr. Daniel Bloch as a director of the Company in order to focus full-time on his law practice.
- August 15, 2019, the Company announced that Mr. Jakson Inwentash has been appointed a director of the Company. Mr. Jakson Inwentash is a senior analyst at ThreeD Capital Inc., a venture capital firm, where he leads the trading of cryptocurrencies and focuses on identifying, researching, and meeting with early stage companies in various disruptive industries.
- Operationally, the Company announced that it has put on hold updating the drying circuit pending financing. The Company will utilize the existing drying circuit which can manage the material drying requirements in the interim.
- During the Quarter management curtailing ongoing mining costs by temporarily reducing non-critical staff until the completion of a financing. The Company sees this as a positive means to decrease monthly capital requirements by approximately 75%. All staff has been paid up to date with salaries being supported primarily through capital injection by the company's two CEOs. The non-critical mine staff that are not directly affiliated with mine construction will be rehired upon the completion of a financing to resume mining and processing activities.

During October, 2019 –

- October 17, 2019 the Company signed an agreement with Todaq Star Program Phase 1 Corp. ("Todaq"), a subsidiary of TODAQ Holdings Inc. ("TODAQ Holdings"), to supply Todaq with an aggregate of US$25,000,000 of graphite from its Aukam project in Namibia over approximately 39 months (the "Supply Agreement"). The initial order will be for 600 tonnes of graphite valued at US$3,000,000 payable in TODA Notes ("TDN"), a digital asset created as a medium for exchange and store of value, at a price of US$0.10 per TDN for an aggregate of 30 million TDN. For further details see the Company's October 17, 2019 press release on www.SEDAR.com .
- October 18, 2019, the Company was granted a three year exploration license for both EPL 7512 & EPL 7513.
- In October 2019 the Company was granted a 2 year renewal on EPL licensing extension on EPL 6710
- October 24, 2019, the Company reported that it completed the crushing and grinding circuit enhancing the circuit's capacity to 50 metric tonnes per hour. The Company also completed the installation and setup of the Processing Plant's Rougher, Cleaner and Scavenger flotation columns. The cumulative capacity of the columns combined with the Rougher Mixing Tank and slurry line is initially 2.8 tonnes per hour.
- To date the Company has put 178 tonnes of product through the existing pilot plant systematically increasing the grade to commercially desirable 95% – 97% Cg (Carbon in Graphite). It has further indicated that it is able to upgrade this material through air classification to over 99% Cg.

- October 29, 2019, the Company announced the receipt of positive results from extensive testing of its graphene enhanced tires, versus globally recognized, premium brand tires. The Company believes these results represent a breakthrough in tire technology that warrants deployment into the global tire market. The 18 month development program included a 6-month terrain test in which graphenes enhanced tires (“Gratomic Tires”) and premium tires from a globally recognized tire brands (“Brand Tires”) were fitted to high mileage, commercial light vehicles, which primarily travelled on A and B roads within the UK. Performance of the tires was data logged throughout the entire test period. The results of the road test concluded the Gratomic Tires, enhanced with surface engineered graphenes, produced a greater than 30% increase in wear resistance over the competing Brand Tires, equating to an additional +30% mileage before the tire was needed to be replaced.

Gratomic’s graphite derived graphenes used in tire terrain tests on small commercial high mileage vehichles 15 inch tires in Europe and Asia

Licensing Activities

Licensing update:

During 2019 a renewal application for EPL 3895 was prepared and submitted to the Ministry of Mines and Energy (MME) together with all supporting documentations.

- EPL 3895 was granted on 4 April 2008 with a surface area total of 27 820.4515Ha. The licence was granted a two year renewel and expires 3 April 2021.
- EPL 6710 was granted a three year exploration licence on 13 Febraury 2018 with a surface area comprising a total of 35 201.1195Ha.
- EPL 7512 was granted a three year exploration licence on 21 October 2019 with a surface area comprising a total of 24 479.6005Ha.
- EPL 7513 was granted a three year exploration licence on 21 October 2019 with a surface area comprising a total of 49 972.0706Ha.

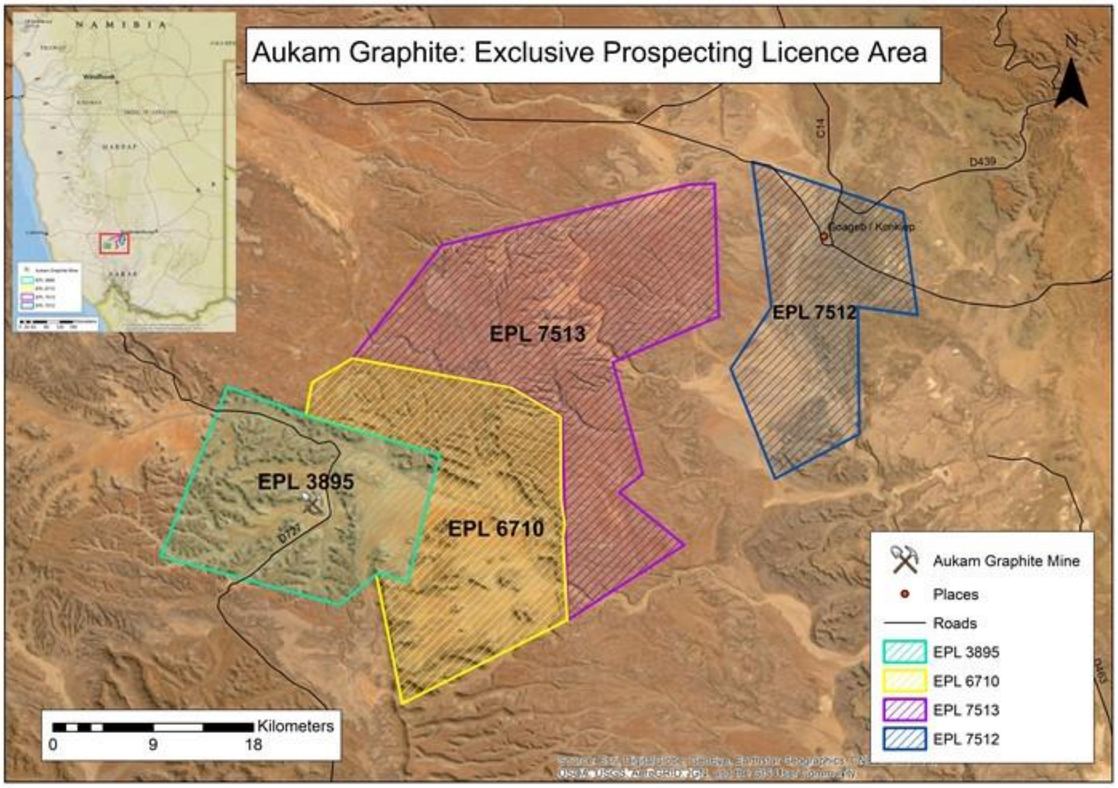

Figure 1 showing Exclusive Prospecting License EPL 3895, EPL 6710, EPL 7512, EPL 7513

Summary of Quarterly Results

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

	September 30 2019 $	June 30 2019 $	March 31 2019 $	December 31 2018 $
Exploration and evaluation assets	5,616,296	5,486,661	5,274,462	5,003,062
Deficit	16,168,593	15,626,318	14,991,051	13,654,188
Total Assets	8,591,572	8,874,783	9,106,428	10,609,220
Net and Comprehensive Loss	529,778	635,267	1,336,863	1,870,427
Basic and Diluted Loss Per Share	0.003	0.004	0.008	0.018

	September 30 2018 $	June 30 2018 $	March 31 2018 $	December 31 2017 $
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	655,020	347,236	841,914
Basic and Diluted Loss Per Share	0.006	0.006	0.000	0.010

Q3 2019
In general the 2019 Q3 loss of $529,778 (2018 - $524,486) is in line with 2018. Notable differences include investor relations expense of $5,600 (2018 - $140,755); marketing expenses $143,500 (2018 - $37,389); gain on debt settlement $72,310 (2018 – nil); loss on disposal of marketable securities $98,463 (2018 – nil).

Q2 2019
During the quarter the Company incurred a loss of $635,267 (2018 – $655,020). Major differences are explained as follows; expenditures on consulting fees amounted to $174,020 (2018 - nil); expenditures on marketing fees amounted to $129,543 (2018 - $230,200); share based compensation amounted to Nil (2018 - $138,150); and travel meals and accomodation amounted to $123,755 (2018 – $76,576).

Q1 2019
During the quarter the Company incurred a loss of $1,336,853 (2018 – $379,504). Major differences are explained as follows; expenditures on consulting fees amounted to $198,515 (2018 - $600); management fees amounted to $442,000 (2018 - $69,000); expenditures on marketing fees amounted to $371,242 (2018 - $120,764) and travel meals and accomodation amounted to $123,488 (2018 – $11,440).

Q4 2018
During the quarter the Company incurred a loss of $1,870,427 (2017 – $841,914). During the quarter expenditures on consulting fees amounted to $102,060 for graphene compound development fees (2017 - $7,000); management fees amounted to $377,200 (2017 - $152,000); indicative of the Company actively raising money during the quarter, expenditures on marketing fees amounted to $365,949 (2017 - $98,819) and travel meals and accomodation amounted to $192,536 (2017 – 17,494); share-based compensation amounted to $628,055 (2017 - $473,000).

Liquidity

Presently the Company has a working capital deficit of $373,935 and needs funding to continue its operations. On November 5, 2019 the Company announced that it was proceeding with a $2,500,000 non-brokered private placement. For further details see the November 5, 2019 press release on www.SEDAR.com .

Future exploration and development 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 activities. There can be no assurance that funds will be available.

Capital Resources

There were no unusual factors that affected the Company's capital resources during the nine months ended September 30, 2019.

Off Balance Sheet Arrangements

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

Transactions With Related Parties

The Company has determined that key management consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. The Company paid or accrued the following amounts to key management, and private corporations owned by them:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	$	$	$	$
Fees charged to management fees	87,000	93,800	616,000	244,300
Fees charged to professional and other expenses	30,127	-	80,967	-
Fees charged to exploration and evaluation assets	25,000	-	75,000	-
Fees charged to prepaid expenses	-	-	50,000	-
Share-based payments	-	-	-	167,727
	142,127	93,800	821,967	412,027

During the nine months ended September 30, 2019, legal fees in the amount of $71,180 (2018 – $67,092) were paid or payable to a law firm whose partner is an officer of the Company and are included in professional fees totaling $110,284.

Included in accounts payable and accrued liabilities at September 30, 2019 was $391,623 (2018 – Nil) owing for services 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.

The Company agreed to prepay the 2019 salary of one of its Co-CEO's. The prepaid amount was treated as a prepaid expense and it is being expensed as services are provided. The remaining prepaid balance at September 30, 2019 amounts to $50,000.

During the nine months ended September 30, 2019 the Company paid office rent to ThreeD Capital Inc., a company of which one of the Company's co-CEO's is the CEO, an amount of $54,000 (2018 - $27,000).

During the nine months ended September 30, 2019 the Company received loans from directors totaling $115,611 which amounts are non-interest bearing and payable on demand.

Events Affecting the Company's Financial Condition

During 2019, there were no unusual factors that affected the Company's financial condition.

Critical Accounting Judgements and Key Sources of Estimation Uncetrtainty

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the interim unaudited condensed consolidated financial statements are as follows:

i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

ii) Capitalization of deferred exploration costs

Minority interest and equity are adjusted to reflect the ownership interest of consolidated subsidiaries in which a minority interest shareholder has a carried interest.

Management is required to assess impairment of intangible exploration and evaluation assets and property and equipment. The triggering events are defined in IFRS 6 and IAS 36 respectively. In making the assessment, management is required to make judgments on the status of each project and the future plans toward finding commercial reserves to which the exploration and evaluation assets and property and equipment relate to.

Management has determined that there were no triggering events present as at September 30, 2019 and 2018, as defined in IFRS 6 and IAS 36, as such, no impairment test was performed.

Critical estimates exercised are as follows:

i) 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.

ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax 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.

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.

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

Adoption of new standards

IFRS 16 is a new standard effective January 1, 2019, 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 adoption of IFRS 16 resulted in no impact on the opening accumulated deficit at January 1, 2019.

Financial Instruments and risk management

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise.

(iii) Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

Financial instruments that are measured at fair value, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:
Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

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 common stock issuances. As at September 30, 2019, the Company had current assets of $437,949 (December 31, 2018 - $3,507,903) to settle current liabilities of $811,884 (December 31, 2018 - $466,340). All of the Company's accounts payable and accrued 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
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.

Subsequent Events

On November 25, 2019 the Company held a special meeting of shareholders at which time a special resolution was passed authorizing and approving an amendment to the Company's Articles to effect a consolidation of the Company's issued and outstanding common shares on the basis of between one post-consolidated common share for each three pre-consolidated common shares and one post-consolidated common share for each five pre-consolidated common shares, at the discretion of the board of directors

On November 25, 2019 the Company settled an aggregate of $81,360 of debt owed to an arm's length creditor in consideration for the issuance of 904,963 common shares of the Company.

Other Disclosures

Share Capital
Common Shares -
As at September 30, 2019, and the date hereof, there were 170,576,702 common shares of the Company issued and to be issued (December 31, 2018 – 168,678,739).
Warrants -
At September 30, 2019 and the date hereof there were a total of 97,793,433 warrants outstanding (December 31, 2018 – 100,610,933).
Options -
At September 30, 2019, and the date hereof, there were a total of 15,775,000 and 15,025,000 stock options respectively outstanding (December 31, 2018 – 16,250,000).

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 .