Gratomic Inc.
MANAGEMENT DISCUSSION AND ANALYSIS
(Form 51-102F1)
For the year ended December 31, 2019

This Management Discussion and Analysis is dated June 15, 2020.

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 twelve months ended December 31, 2019. The MD&A should be read in conjunction with the Company's financial statements for the year ended December 31, 2019 and its consolidated financial statements for the twelve months ended December 31, 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 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 twelve months ended December 31, 2019 of $3,244,288 and has an accumulated deficit of $16,898,476. 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 December 31, 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 December 31, 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 5000 tonnes of Graphite at US$25,000,000 from its Aukam project over 33 months.
- October 18, 2019, the Company was granted a three year exploration license for both EPL 7512 & EPL 7513 and was granted a 2 year renewal on EPL licensing extension on EPL 6710.
- On October 24, 2019, the Company completed the crushing and grinding circuit enhancing the circuit's capacity to 50 metric tonnes per hour which included the completion, installation and setup of the Processing Plant's Rougher, Cleaner and Scavenger flotation columns.
- In addition to 350 tonnes of graphitic material stockpiled at the processing site ready for beneficiation, the Company has put 178 tonnes of stockpile material through the existing pilot plant systematically increasing the grade to commercially desirable 95% – 98.6% Cg (Carbon in Graphite).
- On October 29, 2019, the Company received 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 Company announced that it 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.
- November 25, 2019 Gratomic announced the consolidation of the Company's outstanding capital on the basis of one (1) post-consolidated common share for each five (5) currently issued and outstanding common shares was approved by the required majority of Shareholders.
- On Decemberf 20, 2019 Gratomic received the first two purchase orders for pre-graphene graphite from TODAQ.

Q1/Q2 - 2020

- During March, 2020 Gratomic Inc accepted the resignations of Sheldon Inwentash, Gerry Feldman, and Jakson Inwentash, appointed Arno Brand as President and Chief Executive Officer and announced the appointment of Mr. Walter Luke and Alex Hemmel to the Board of Directors.
- April 8, 2020, Gratomic Appoints Armando Farhate as Executive Management and Head of Advisory Board to advise and oversee the construction and commissioning of the processing plant, Grade and Quality Control Management.
- May 6, 2020, Gratomic receives confirmation from the Ministry of Mines and Energy of Namibia that the Minister has issued Mining Licence 215 (ML215) for the Company's Aukam Graphite Property in Namibia.

- The Company completed a financing for $2,250,000 and shares for debt settlements in the amount of $267,005 subsequent to December 31, 2019 – see Subsequent Events herein.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the twelve months ended December 31, 2019 are summarized as follows:

Outlays by expenditure category, by project, for the three months ended December, 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	-	8,736	-	-	-	-	-	8,736
Field work, supplies and other	2,816	54,923	-	-	-	-	2,816	54,923
Assays	-	-	-	-	-	-	-	-
Geological and other consulting	-	-	-	-	-	4,579	-	4,579
Bulk sampling	-	-	-	-	-	-	-	-
Transport	-	60,523	-	-	-	-	-	60,523
Travel and accomodation	-	-	-	-	-	-	-	-
	2,816	124,182	-	-	-	-	2,816	128,761

Outlays by expenditure category, by project, for the years ended December 31, 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	1,698	8,736	-	-	-	-	1,698	8,736
Field work, supplies and other	246,976	283,394	-	-	-	-	246,976	283,394
Assays	-	-	-	-	-	-	-	-
Geological and other consulting	316,293	149,129	-	4,159	-	230,500	316,293	383,788
Bulk sampling	-	-	-	-	-	-	-	-
Transport	-	89,565	-	-	-	-	-	89,565
Travel and accomodation	51,082	37,516	-	-	-	-	51,082	37,516
	616,049	568,340	-	4,159	-	230,500	616,049	802,999

Results of Operations

The following table provides selected financial information for the three and twelve months ended December 31, 2019 and 2018.

	For the three months ended December 31,		For the twelve months ended December 31,	
	2019	2018	2019	2018
	$	$	$	$
Operating expenses	(729,882)	(1,870,426)	(3,275,603)	(3,397,169)
Net loss	(729,882)	(1,870,426)	(3,244,288)	(3,397,169)
Net loss per share	(0.02)	(0.06)	(0.09)	(0.14)
Exploration and evaluation assets	5,619,111	5,003,062	5,619,111	5,003,062
Total assets	8,641,626	10,609,220	8,641,626	10,609,220

Comments on source and use of funds

During the twelve months ended December 31, 2019

1. During the twelve months ended $643,929 was raised as a result of; warrants exercised $98,130; private placements $474,466; and disposals of fixed assets $71,333.
2. Cash used in operating activities amounted to $1,926,370 comprised of a loss of $3,244,288 of which $25,454 were non-cash items, and $1,292,464 generated from working capital.

3. Investment in plant and equipment, long term prepaids, and exploration and evaluation assets, amounted to $1,208,003 and proceeds on sale of investment amounted to $59,000.

The Company has cash of $127,100 at December 31, 2019 and will need to raise additional cash during 2020 to meet its operating plans for the next twelve months.

Revenues

At this time, the Company has no sales or revenues.

The major expense items for the three and twelve months ended December 31, 2019 and 2018 are summarized as follows:

	For the three months ended December 31,		For the twelve months ended December 31,	
	$	$	$	$
	2019	2018	2019	2018
Consulting	216,334	102,060	638,911	123,920
Filing fees and permits	14,966	5,662	47,456	34,015
Investor relations	9,180	(28,898)	37,636	190,628
Management fees	111,999	377,200	728,000	621,500
Marketing	53,307	365,949	697,592	754,302
Office and other	363,745	171,063	672,327	329,828
Professional fees	73,408	56,800	183,691	190,983
Share-based compensation	-	628,055	44,033	795,782
Travel, meals and accomodation	(113,057)	192,535	225,957	381,620
Other	-	-	-	(25,409)
	729,882	1,870,426	3,275,603	3,397,169

Comments on the three months ended December 31, 2019:

The lower 2019 Q4 expenses of $729,882 (2018 - $1,870,426) are indicative of efforts to contain costs. The lower costs are explained by; reduced consulting fees by $108,988; management fees $111,999 (2018 - $377,200) due to bonus in the prior year; reduced marketing fees by $312,642; share based compensation Nil (2018 - $628,055); reduced travel meals and accommodation by $305,588.

Comments on the twelve months ended December 31, 2019:

Operating expenses for 2019 amounted to $3,275,603 (2018 - $3,397,169). Explanations of significant line items driving costs 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.
- Marketing during both years include 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.
- Share based compensation $44,033 (2018 - $795,782).
- Higher office and other expenses in 2019 due to approximately $250,000 of idle facility costs reflected in this category in 2019. The idle facility costs relate to the Namibian operations idled during Q4 2019 – those costs were capitalized during 2018.

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 Graphite project is a property located in Namibia's Karas Region in Africa. The Aukam property is comprised of Exclusive Prospecting Licences EPL 3895, EPL 6710, EPL 7512, EPL 7513, in respect of base and rare metals, industrial minerals, and precious metals. Located in the district of Bethanie, Karas region of southern Namibia, the licence areas total 137,473 hectares, are contiguous and include the farm Aukam104 and Harichab121.

Graphite in the Aukam area is hosted by altered Garub Sequence granite that is exposed in an erosional window in the Nama cover. Graphite mineralization at Aukam occurs as massive lenses and veins, and as disseminated patches mostly associated with strong alteration. It is hosted by an east-west trending shear zone traceable on surface for about 400 metres along with mapping indicating the mineralization may extend for four kilometres.

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 (in progress) necessary to process 5,000 tonnes of graphite per year, and obtain government authorization to begin commercial operations (completed); 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 twelve 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 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. Graphite occurs disseminated in marble and paragneiss and within veins hosted in pegmatite, diopside skarn, marble and gneiss.

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.

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 is located 7 kilometres northwest of the town of Buckingham, Quebec, Canada and 82 km north of Imerys Graphite & Carbon's operating Lac des Iles graphite mine. The property consists of eight claim blocks totaling 480 hectares and is accessed by well maintained bush roads.

The property is located within the Central Metasedimentary Belt of the Grenville Geologic Province. It is underlain by paragneiss and marble, with associated pegmatite, and amphibolite. Graphite occurs disseminated in marble and paragneiss and within veins hosted in pegmatite, diopside skarn, marble and gneiss. Two graphitic zones, the Uncle Zone and the Case Zone have been discovered to date, with both zones showing high grade occurrences of disseminated flake and vein type graphite and yielding assay values as high as 81.1% Cg. Initial crushing and flotation of two samples from the Uncle Zone has achieved purity of up to 99.4% Cg from a single flotation test without process optimization (see news release dated February 17, 2015).

Airborne time domain electromagnetic (TDEM) survey flown over the Buckingham project in 2016 outlined 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% 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 along the TDEM conductor uncovered zones of graphite mineralization hosted primarily by paragneiss. Highlights of the trench sampling include 8.33% Cg 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 additional trenching and diamond drilling were executed to follow up on the successful results of the 2016 trenching program. Highlights of the work included trench results of 15.0% Cg over 8.0 metres, and diamond drill results of 7.4% Cg over 12.0 metres, in hole CK17-01, and 6.1% Cg over 88.0 metres beginning at nine metres, included a higher-grade interval of 20.7% Cg over 8.0 metres in hole CK17-02

No exploration activities were undertaken during 2019.

Activities during Q4-2019

- The Company signed an agreement with Todaq Star Program Phase 1 Corp. ("Todaq"), a subsidiary of TODAQ Holdings Inc. ("TODAQ Holdings"), October 17, 2019, 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 and was granted a 2 year renewal on EPL licensing extension on EPL 6710. Total Exploration license area is 137,473 hectares.

- 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.

- In addition to 350 tonnes of graphitic material stockpiled at the processing site ready for beneficiation, the Company has put 178 tonnes of product through the existing pilot plant systematically increasing the grade to commercially desirable 95% – 98.6% Cg (Carbon in Graphite). It has further indicated that it is able to upgrade this material through air classification to over 99% Cg.

- Operationally, the Company decided to put on hold an updated drying circuit pending financing of the Company. The drying circuit will be shipped to Namibia after the final payment of CAD $75,000 is made and will arrive within 39 days of the payment. The Company has decided to delay this upgrade in the short term in order to preserve available capital and will utilize the existing drying circuit which can manage the material drying requirements in the interim.

- Management curtailed ongoing mining costs by temporarily reducing non-critical staff as a means to decrease monthly capital requirements by approximately 75%. 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.

- 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

- Gratomic announced that at the Special Meeting of Shareholders held November 25, 2019, the consolidation of the Company's outstanding capital on the basis of one (1) post-consolidated common share for each five (5) currently issued and outstanding common shares (the "Consolidation") was approved by the required majority of Shareholders with 71.73% of the shares represented at the meeting voting in favour of the Consolidation.

- Thed Company consolidated its outstanding common shares. Commencing at the open of the market on Tuesday, December 10, 2019, the common shares of the Company traded on a post-consolidation basis on the TSX Venture Exchange on the basis of one post-consolidation common share for each five preconsolidation common shares (the "Consolidation").
- The Company announced that it 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 at a deemed price of $0.0899 per share. The securities issued for the settlement of debt was legended and restricted from trading until March 26, 2020.

Licensing Activities

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.

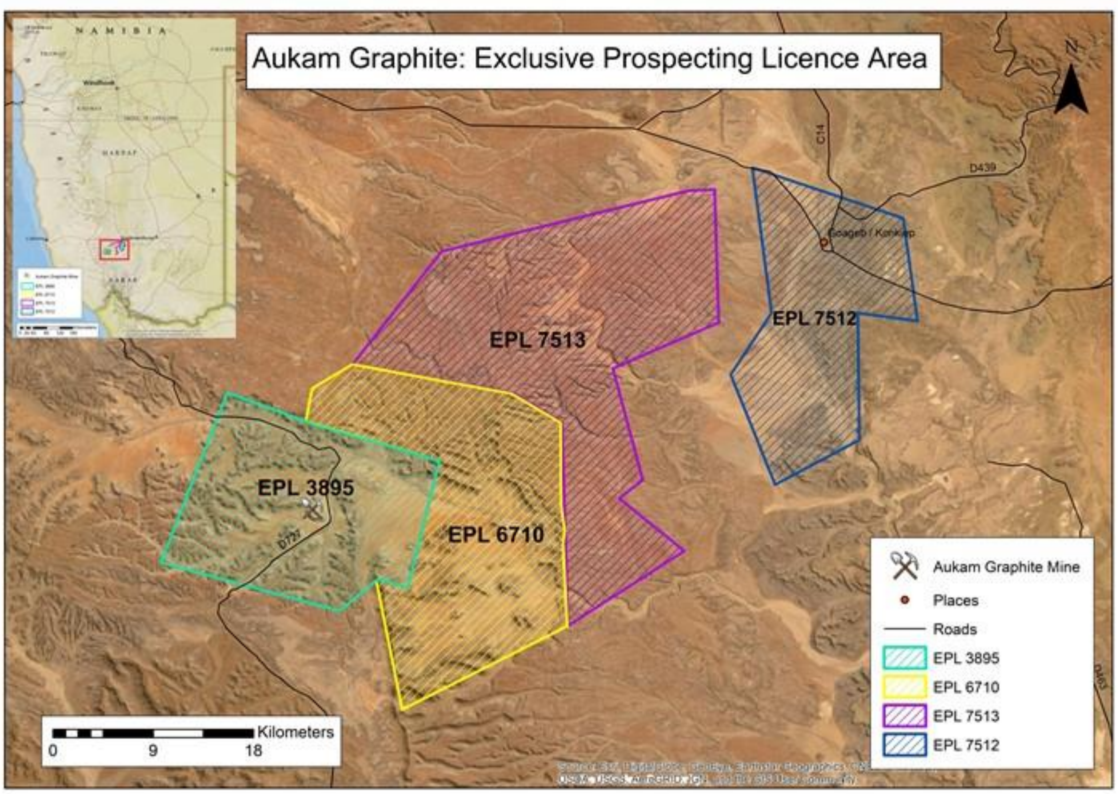

Figure 1 showing Exclusive Prospecting License EPL 3895, EPL 6710, EPL 7512, EPL 7513

Summary of Quarterly Results

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

	December 31 2019 $	**September 30 2019 $**	**June 30 2019 $**	**March 31 2019 $**
Exploration and evaluation assets	5,619,111	5,616,296	5,486,661	5,274,462
Deficit	16,898,476	16,168,593	15,626,318	14,991,051
Total Assets	8,641,626	8,591,572	8,874,783	9,106,428
Net and Comprehensive Loss	729,882	542,275	635,267	1,336,863
Basic and Diluted Loss Per Share	0.01	0.02	0.02	0.04

	December 31 2018 $	**September 30 2018 $**	**June 30 2018 $**	**March 31 2018 $**
Exploration and evaluation assets	5,003,062	5,577,891	4,643,188	4,683,366
Deficit	13,654,188	11,783,761	11,259,275	10,636,523
Total Assets	10,609,220	8,698,001	6,884,582	7,343,276
Net and Comprehensive Loss	1,870,426	524,486	655,020	347,237
Basic and Diluted Loss Per Share	0.09	0.02	0.03	0.000

Q4 2019
The lower 2019 Q4 expenses of $729,882 (2018 - $1,870,426) are indicative of efforts to contain costs. The lower costs are explained by; reduced consulting fees by $108,988; management fees $111,999 (2018 - $377,200) due to bonus in the prior year; reduced marketing fees by $312,642; share based compensation Nil (2018 - $628,055); reduced travel meals and accommodation by $305,588.

Q3 2019
In general the 2019 Q3 loss of $542,275 (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).

Liquidity

Presently the Company has a working capital deficit of $710,027 and needs funding to continue its operations. The Company completed a financing for $2,373,188 and shares for debt settlements in the amount of $267,005 subsequent to December 31, 2019 – see Subsequent Events herein.

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 twelve months ended December 31, 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 December 31,		For the years ended December 31,	
	2019	2018	2019	2018
	$	$	$	$
Fees charged to:				
Management fees	112,000	377,200	728,000	621,500
Professional and other expenses	16,544	65,549	97,511	65,549
Exploration and evaluation assets	-	160,000	75,000	160,000
Prepaid expenses	-	216,667	-	216,667
Share-based payments	-	469,993	-	637,720
	128,544	1,289,409	900,511	1,701,436

During the year ended December 31, 2019, legal fees in the amount of $119,618 (2018 – $84,418) were paid or payable to a law firm whose partner is an officer of the Company and are included in professional fees totaling $183,691.

Included in accounts payable and accrued liabilities at December 31, 2019 was $381,622 (2018 – $81,639) 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.

During the year ended December 31, 2019 the Company paid office rent to Three D Capital Inc., a company of which one of the Company's co-CEO's is the CEO, an amount of $100,000 (2018 - $36,000).

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 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 December 31, 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.

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at January 1, 2018.

	Original under IAS 39		**New under IFRS**	
	Classification	Carrying amount	Classification	Carrying amount
Cash	FVTPL	2,317,221	FVTPL	2,317,221
Restricted cash	FVTPL	16,329	FVTPL	16,329
Amounts receivable	Loans and receivables	166,616	Amortized cost	166,616
Amounts payable	Other financial liability	267,871	Amortized cost	267,871

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on January 1, 2018.

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which superseded IAS 18 Revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual period beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the cumulative effect adjustment method without applying any practical expedients.

The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit or to the opening deficit on January 1, 2018.

Risk Management

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 December 31, 2019, the Company had current assets of $407,328 (December 31, 2018 - $3,507,903) to settle current liabilities of $1,117,355 (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 February 11, 2020, a non-brokered private placement of 2,190,000 units at a price of $0.05625 per unit for aggregate gross proceeds of $123,188 was completed. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of $0.10 per share until the earlier of December 18, 2022, or in the event that the closing price of the common shares is at least $0.30 for twenty consecutive trading days, and the twentieth trading day (the “Final Trading Day”) is at least four months from the closing date, the date which is thirty days from the Final Trading Day.

On May 6, 2020, the Company announced that it received confirmation from the Ministry of Mines and Energy of Namibia that it has issued Mining Licence 215 for the Company’s Aukam Graphite Property in Namibia. The Licence covers Base and Rare Metals, Industrial Minerals and Precious Metals. The Licence area falls within the proximity of the Aukam Processing Plant and the Graphite bearing shear zone for a total of 5002 hectares. Securing the mining licence is a critical step towards moving the Aukam Mine into commercial production.

On June 12, 2020, the Company closed a non-brokered financing and raised $2,250,000 as follows:

a) $1,500,000 aggregate principal amount of convertible debenture units were placed. The debenture units consist of 1,500 senior secured convertible debentures, with each debenture unit priced at

$1,000 consisting of (i) one $1,000 face value convertible debenture, convertible at the option of the holder into common shares of the Company at $0.06 per share for the first twelve months from the closing of the offering, and thereafter at $0.10 for a further six months, which will bear interest at 10% per year, paid quarterly in cash, until maturity, being December 11, 2021; and (ii) 8,333 share purchase warrants with each debenture warrant entitling the holder to purchase one additional share at an exercise price of $0.10 per share until December 11, 2021.

b) In addition, 12,499,996 working capital units were placed at a price of $0.06 per working capital unit for gross proceeds of $750,000. Each working capital unit comprises (i) one share, and (ii) one share purchase warrant. Each working capital warrant entitles the holder to acquire one share at $0.10 per working capital warrant until June 11, 2022.

On June 12, 2020 the Company completed debt settlements aggregating $267,005 of debt for the issuance of an aggregate of 4,450,079 Shares at a price of $0.06 per Share including an aggregate $149,607 of debt owed to arm's length parties, one director and two entities related to insiders of the Company, for the issuance of 2,493,444 Shares.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

On March 29, 2020, 2,708,200 warrants that had been issued by the Company expired.

Mining License Update

On May 6, 2020, Gratomic received confirmation from the Ministry of Mines and Energy of Namibia that the Minister has issued Mining Licence 215 (ML215) for the Company's Aukam Graphite Property in Namibia.

We would like to thank the Ministry for their co-operation and hard work to assist Gratomic's progression into a mining company from a junior exploration company.

Operations Update

The Chinese manufacturing facility that is supplying the last pieces of equipment that make up the greater part of the drying circuit for the Aukam mine graphite processing plant has experienced significant delays due to the impact of the Coronavirus and has been unable to ship the equipment. The Company has been waiting for correspondence from the manufacturer on the platform designs that are required to be poured at the same time as the shipment leaves China to provide a sufficient curing period for the concrete platforms. The minimum shipping time from China to Namibia is 39 days once the equipment leaves port. We foresee further delays at both the port of China and the port of Walvis Bay given strict quarantine restrictions at both ports currently.

On the 19th of February the Company received feed-back from the manufacturer on the platform designs and confirmation that some of the staff have returned back to the factory and it is now able to proceed with shipping of the remaining equipment.

The List of Equipment from China includes the following:

Cyclone Cluster
10 m Electrical Dryer

Thickener
600 mm conveyor belt
Filter press
Slurry pumps and lines
The equipment was specifically designed and built to accommodate mass balance pull and the treatment of Aukam Graphite based on the results of our pilot testing programs.

Management Update

In an effort to reduce the Company's expenditures, the majority of Namibian staff and management has agreed to go to 50% remuneration as per SECTION 12 (6) OF THE NAMIBIAN LABOUR ACT NO 11 OF 2007 until the granting of ML215. The Canadian management team has lead by example by doing the same in an effort to preserve capital for operations.

In March, 2020, Arno Brand was appointed President and Chief Executive Officer eliminating the Co-CEO designation, replacing Sheldon Inwentash who stepped down. The company announced the appointment of Mr. Walter Luke to the Board of Directors replacing Gerry Feldman and Jakson Inwentash who resigned. Mr. Luke is a professional project manager with over 29 years of global experience directing projects for tech giants such as Nortel, Bell Mobility, Nigeria Multilink, Australia Optus, and New Zealand Clear. Mr. Luke's successful private enterprise has taken him to over 40 countries and has brought international recognition (several Chairman's and President's awards) for his contributions to new business developments worldwide. Mr. Luke holds a project manager professional certification from the Project Management Institute.

On Apr 8, 2020, Gratomic appointed Armando Farhate as Executive Management and Head of Advisory Board to advise and oversee the construction and commissioning of the processing plant, Grade and Quality Control Management, and Head of the Company's Advisory Board. He will focus on product quality control and will advise on plant construction at the Aukam Graphite Mine in Namibia. In addition to holding an MBA and a Degree in Mechanical Engineering, Armando's brings over thirty years' professional experience in various capacities including CEO, COO, Industrial Director, VP/Director/Sales Manager. As Operations and Product Director for Imerys Graphite & Carbon, Armando was directly responsible for the mining and processing facilities at the two sites in Quebec, Canada. He coordinated a joint venture project in Northern Namibia with a market capitalization of 40 million dollars USD and was responsible for ensuring market demand was accommodated. Mr. Farhate was directly responsible for the establishment of new product lines, production processes, pricing, sales management, and marketing campaigns. He established the long term strategy for Natural Graphite, which included sourcing strategy and the definition of new production sites.

Prior to his tenure at Imerys Graphite & Carbon, Mr. Farhate was the Chief Operating Officer at Nacional De Grafite, Ltda. In his capacity as COO for this prestigious graphite company, Armando was directly responsible for the management and overseeing of 650 employees in various areas including geology, mine planning, mining, processing, engineering and projects, research and development, quality systems, environmental management, and sales and marketing.

During his time with Nacional De Grafite, Ltda., Mr. Farhate coordinated the opening of new mines, obtaining all necessary permits and licensing. In addition to the evaluation of all mineral assets, Armando was also responsible for the introduction of controls on production, efficiency, costs and inventory levels of three different plants and more than 20 product lines. He optimized the management of working capital and generated gains of up to BRL 5 million/yr in the industrial units. Mr. Farhate led the development of new products and processes, including negotiating partnerships with public and private universities in Brazil and abroad. He placed an emphasis on obtaining graphite oxide and graphene from natural crystalline graphite, and on developing process technology for lithium-ion battery anodes.

TODA Notes Update

On October 17, 2019, Gratomic announced the Supply Agreement with TODAQ Holdings ("TODAQ") to supply TODAQ with an aggregate of USD $25,000,000 of graphite, payable in TODA Notes ("TDN"), and on December 20, 2019 Gratomic announced it had received its first of two purchase orders from TODAQ. Following is an update on the current status of TDN trading. TDN has been trading on BitForex, a digital asset exchange, with a 30-day average price and volume of approximately USD $0.24 and USD $950,000, respectively. TDN first started trading on Bitforex on November 1, 2019 at a price of USD $0.10 and a volume of USD $300,000. To follow TDN, please click the following link: https://www.bitforex.com/en/spot/tdn_btc . No TDN will be issued to the Company until the equipment arrives from China and the processing plant is in production.

Other Disclosures

Share Capital
Common Shares -
As at December 31, 2019, and the date hereof, there were 43,054,228 and 62,194,303 common shares respectively of the Company issued and outstanding (December 31, 2018 – 33,735,748).
Warrants -
At December 31, 2019 and the date hereof there were a total of 28,651,675 and 53,132,971 warrants respectively outstanding (December 31, 2018 – 20,114,787).
Options -
At December 31, 2019, and the date hereof, there were a total of 3,005,000 stock options outstanding (December 31, 2018 – 3,250,000).
Convertible debentures, option to convert to common shares –
At the date hereof there was a total of $1,500,000 convertible debentures outstanding for which the debenture holders have the option to convert to 25,000,000 common shares.

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 .