

Grid Metals Corp. (TSXV:GRDM)

Falcon West Li Property Acquired; Updating Our Model

Corporate Update

January 13, 2023

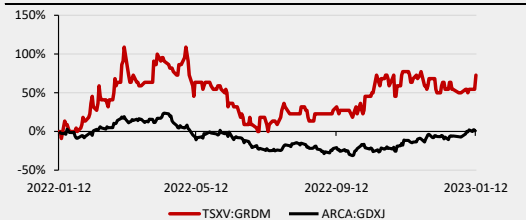
(Currency is CAD\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.19
Rating	BUY
Target (C\$/sh)	\$0.40
Return to Target	111%
NAV (C\$/sh)	\$0.54
P/NAV	0.35x
52 Week Low / High	\$0.10 / \$0.23
CAPITALIZATION	Basic Diluted
Shares Outstanding (M)	165.1 207.4
Market Capitalization (C\$M)	\$31.4
Enterprise Value (C\$M)	\$17.4
Cash and Cash Equivalents (C\$M)	\$14.0
Total Debt (C\$M)	\$0.1

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(C\$M)	(C\$/sh)
East Bull Lake (PGM) (100%)	\$16.8	\$0.10
Makwa-Mayville (Ni-Cu-PGM-Co) (100%)	\$25.3	\$0.15
Falcon West (Li) (100%)	\$0.5	\$0.00
Donner Lake (Li) (75%)	\$27.8	\$0.17
Campus Creek (Li) (75%)	\$1.0	\$0.01
Equity Investments (100%)	\$3.7	\$0.02
Total Corporate Adjustments	\$14.0	\$0.08
Corporate NAV	\$89.1	\$0.54

MAJOR SHAREHOLDERS

Management (2.82%), Lithium Royalty Corp. (8.46%), Mackenzie Financial Corporation (1.24%)

DISCLOSURE CODE: 3,6

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

Grid Metals Corp. is an exploration and development company currently focused on exploration and resource growth at its properties in Manitoba and Ontario. Grid Metals has a diversified portfolio of properties where it is actively exploring for Ni-Cu-PGM-Co, Pd and Li. The Makwa Mayville project, 145 km from Winnipeg, MB, has a significant NI 43-101 compliant resource of Ni-Cu-PGMs and a highly prospective Li property (Donner Lake). The company also has a 100% interest in the East Bull Lake PGM project, which covers 80% of the highly prospective East Bull Lake intrusion near Sudbury, Ontario. The company was formerly known as Mustang Minerals Corp. and changed its name to Grid Metals Corp. in June 2018. Grid Metals Corp. was incorporated in 1997 and is headquartered in Toronto, Canada.

Impact: Mildly Positive

Grid Metals has acquired the Falcon West Li property in Manitoba, located ~110km east of Winnipeg and 100km south of its Donner Lake Li property (Figures 5 & 6). The property covers ~61.3k ha and contains ~70km of strike length of a prospective contact zone, that has seen little to no historical Li exploration work. **We view this acquisition favourably as it supports Grid's strategic objective of becoming a key Li player in SE Manitoba. This acquisition transforms Grid into a multi-property Li explorer and developer. It is additive to its Donner Lake Li project, where we expect an updated mineral resource estimate in ~Q2/23, and its agreement with Tanco to first conduct metallurgical testing at the Tanco mine before potentially entering into an agreement to jointly mine, process and sell Li spodumene concentrate.**

- Falcon West acquired via online staking for 100% ownership.** Most of the property was acquired through online staking. As such there is no underlying NSR royalty on the Falcon West claims. Grid purchased the Lucy claims for \$300k in cash and 200k shares. A 2% NSR applies to the ADL (ArtDon, Lucy and Lucy North pegmatites) target area claims, where 1% can be bought back for \$1M. The claim hosting ArtDon was previously purchased for \$20k in cash and 50k shares.
- The contact zone features several spodumene-rich pegmatites** with highly anomalous Li grades. Historical drilling returned up to 3.51% Li₂O over 4.57m within 2.16% Li₂O over 12.2m. Grid plans to focus on the ADL target area, which is a ~1.25km trend of outcropping Li-bearing pegmatites. The Lucy target features a historical resource of ~227kt of 1.75% Li₂O and is similar to the Tanco pegmatite. Validation grab sampling at ArtDon returned up to 2.97% Li₂O (Figure 7).
- Upcoming exploration plans** at Falcon West include permitting and consultation with local First Nations, along with the compilation, sampling and re-logging of historical data. Subsequently, the company plans to complete airborne geophysics, surface drilling and field exploration work.
- Estimating a mineral inventory for Donner Lake Li.** Based on historical drilling and 2022 drilling completed by Grid, we calculate that the Main and Northwest dykes could potentially host a deposit containing ~4.0M tonnes at ~1.4% Li₂O. This equates to ~139k tonnes of LCE. See next page for details on our mineral inventory estimate.

Valuation:

We maintain our BUY rating and target price of C\$0.40/sh. However, we have updated our valuation to account for the 56M shares issued in Sep/22, the acquisition of Falcon West, and incorporated our mineral inventory estimate for Donner Lake – see next page for details. Our target price is based on 0.70x our sum-of-parts derived NAVPS estimate of \$0.54 (unchanged). **Upcoming catalysts:** 1) Drilling and an updated PEA at Makwa-Mayville (2023) and 2) Updated MRE for Donner Lake (Q2/23).

Valuation Cont'd:

We have updated our model to account for the ~\$8.5M private placement completed in Sep/22, which resulted in the issuance of 56M shares ([read more](#)). We calculate the company now has ~165.1M basic shares outstanding, and 207.4M on a fully diluted basis.

We have also updated our valuation to include the Falcon West lithium property, which we have assigned an exploration credit of \$0.5M (\$0.00/sh) that accounts for historical work completed on the various claims. Additionally, we now value Grid's 75% interest in the Donner Lake lithium project at \$27.8M (\$0.17/sh) based on our mineral inventory estimate of ~139k tonnes of LCE using an in-situ value of US\$200/t LCE (was previously valued based on its acquisition value). **We continue to apply a 0.7x multiple to our sum-of-parts derived NAVPS estimate of C\$0.54 (unchanged) to obtain our target price of C\$0.40 (unchanged).**

Figure 1: Updated sum-of-parts valuation for Grid Metals

Asset	Ownership	Status	Resource	Valuation Method	Fair Value Estimate		(%)
					(C\$M)	(C\$/sh)	
Assets							
East Bull Lake (PGM)	100%	Exploration	NA	Probability Based	\$16.8	\$0.10	19%
Makwa-Mayville (Ni-Cu-PGM-Co)	100%	PEA	~475M lbs NiEq	In-Situ - US\$0.04/lb	\$25.3	\$0.15	28%
Falcon West (Li)	100%	Exploration	NA	Exploration Credit	\$0.5	\$0.00	1%
Donner Lake (Li)	75%	Exploration	NA	Mineral Inventory - US\$200/t LCE	\$27.8	\$0.17	31%
Campus Creek (Li)	75%	Exploration	NA	Acquisition Value	\$1.0	\$0.01	1%
Equity Investments	100%	NA	NA	Market Value	\$3.7	\$0.02	4%
Project NAV					\$75.1	\$0.45	84%
Cash					\$14.0	\$0.08	16%
Total Corporate Adjustments					\$14.0	\$0.08	16%
Corporate NAV					\$89.1	\$0.54	100%
					Multiple	0.70x	
					Target Price	\$0.40	

Source: RCS Estimates, Company Reports, S&P Capital IQ

Mineral Inventory for Donner Lake:

We believe the Main and Northwest dykes at the Donner Lake lithium project could potentially support a mineral inventory of ~139k tonnes LCE. To derive our deposit dimensions, we based our estimates of lengths and widths on the existing areal extent of drilling, sampling and identified mineralized zones and trends. Drilling has largely been confined to a maximum depth of ~250m at the Northwest Dyke, though we believe mineralization could potentially be inferred down to ~300m. For the Main Dyke, we used a maximum depth of 305m, which is based on the depth used in the historical inferred resource estimate for the zone as outlined in Manitoba Mineral Inventory File #229. We use a density of ~2.63 t/m³, which is based on the density for pegmatites. Our grade assumptions for the Main Dyke use a calculated weighted average grade based on published historical drill results (12 intercepts in 10 holes) in 2018 (1.57% Li₂O over an average true width of 2.73m – Figure 3). For the Northwest Dyke we use a calculated weighted average grade based on published drill results (15 intercepts in 15 holes) from 2022 (1.25% Li₂O over an average width of 7.68m – Figure 4). For the Northwest Dyke, we calculated our true width using the average of the estimated true width by Grid (~40 to 70%). Our mineral inventory estimate, ~4.0M tonnes at 1.4% Li₂O, for the Donner Lake lithium project is shown below in Figure 2.

Figure 2: RCS mineral inventory estimate for Donner Lake

Case	Zone	Deposit Dimensions (m)			Volume (m ³)	Density (t/m ³)	Tonnes	Li2O (%)	LCE (t)
		Length	Thickness	Depth					
Base	Main Dyke	850	3	305	707,104	2.63	1,859,685	1.57%	72,107
	Northwest Dyke	650	4	300	823,752	2.63	2,166,466	1.25%	66,934
Total							4,026,151	1.40%	139,041

Source: RCS Estimates, Company Reports, Manitoba Mineral Inventory File #229

Figure 3: Historical 2018 drill results for the Main Dyke

Main Dyke									
Hole	From (m)	To (m)	Interval (m)	Li2O (%)	Cs2O (%)	Rb2O (%)	Ta (ppm)	Fe (%)	
MLI-18-01	14.68	18.48	3.80	1.7	0.05	0.42	134	0.13	
MLI-18-02	36.75	39.63	2.88	1.6	0.03	0.32	120	0.28	
MLI-18-03	78.67	84.08	5.41	1.5	0.05	0.42	142	0.70	
MLI-18-04	148.04	151.83	3.79	1.4	0.03	0.33	108	0.16	
MLI-18-05	85.20	85.77	0.57	1.6	0.02	0.19	152	0.36	
and	99.70	102.98	3.28	1.7	0.04	0.33	124	0.19	
MLI-18-06	81.24	83.90	2.66	1.8	0.03	0.30	143	0.17	
MLI-18-07	75.50	78.88	3.38	1.8	0.03	0.42	174	0.10	
MLI-18-08	66.98	69.88	2.90	1.5	0.03	0.45	180	0.12	
and	70.45	71.30	0.85	1.8	0.03	0.34	187	0.32	
MLI-18-09	50.47	53.03	2.56	1.3	0.04	0.30	197	0.21	
MLI-18-10	106.35	107.00	0.65	0.4	0.02	0.20	118	0.15	
Average length (m)			2.73						
Weighted-Average Grade (% Li2O)						1.57			

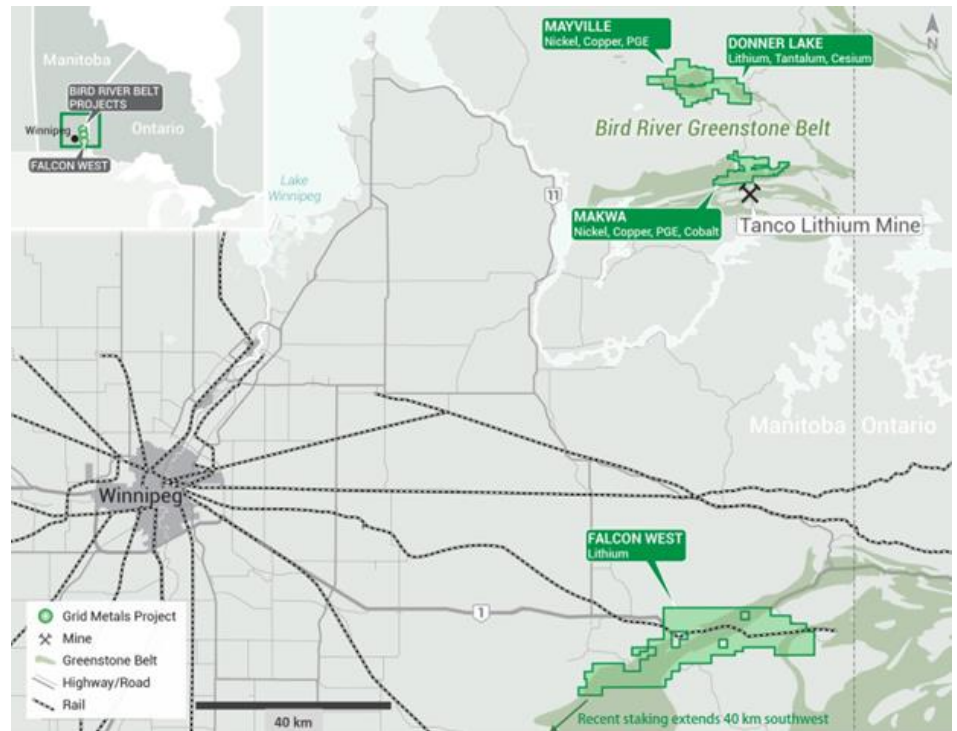
Source: Company Reports

Figure 4: 2022 drill results for the Northwest dyke

NW Pegmatite								
Hole	From (m)	To (m)	Length (m)	Li2O (%)	Ta (ppm)	Cs (ppm)	Rb2O (%)	
GDL22-01	87.50	101.25	13.75	1.53	100	186	0.30	
GDL22-02	57.00	65.00	8.00	1.47	89	184	0.29	
GDL22-03	160.92	165.05	4.13	1.62	74	167	0.31	
GDL22-04	234.10	244.40	10.30	0.99	77	129	0.25	
GDL22-07	103.50	111.70	8.20	1.53	69	142	0.24	
GDL22-08	163.10	176.00	12.90	1.00	87	180	0.29	
GDL22-09	104.90	114.50	9.60	0.83	47	135	0.18	
GDL22-10	155.40	156.65	1.25	1.31	109	167	0.26	
GDL22-11	141.70	156.31	14.61	1.25	108	255	0.29	
GDL22-12	219.56	225.45	5.89	1.48	99	251	0.33	
GDL22-13	139.48	142.20	2.72	1.52	53	153	0.28	
GDL22-14	178.86	183.22	4.36	1.46	59	159	0.25	
GDL22-16	239.90	247.20	7.30	1.17	84	170	0.32	
GDL22-17	279.80	287.30	7.50	1.13	58	159	0.28	
GDL22-18	227.00	231.70	4.70	1.00	102	170	0.29	
Average length (m)			7.68					
Weighted-Average Grade (% Li2O)						1.25		

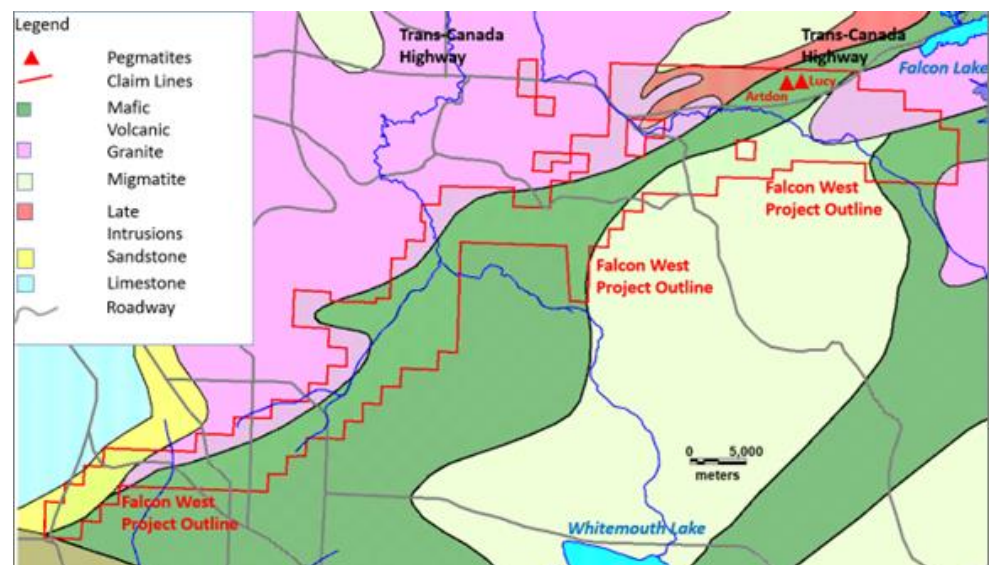
Source: Company Reports

Figure 5: Grid Metals project location map in Southeastern Manitoba



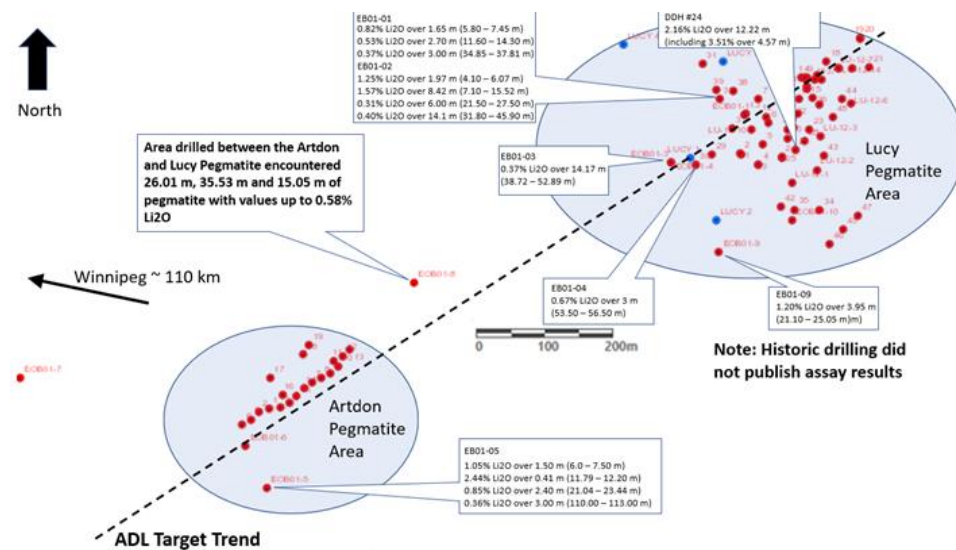
Source: Company Reports

Figure 6: Geology of Falcon West, along with the ADL target



Source: Company Reports

Figure 7: ADL target and historical drill collars



Source: Company Reports

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Disclosure Statement

Updated January 12, 2023

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Date	Rating	Target	Status	%
2021-01-29	NA	NA	BUY	71%
2021-02-18	BUY (S)	NA	BUY (S)	26%
2021-03-08	BUY (S)	NA	HOLD	0%
2021-03-12	BUY (S)	NA	TENDER	0%
2021-04-12	BUY (S)	NA	NA	1%
2021-05-06	BUY (S)	NA	UNDER REVIEW	3%
2021-05-10	BUY	0.60		
2021-06-18	BUY	0.60		
2021-06-29	BUY	0.60		
2021-07-15	BUY	0.60		
2021-08-24	BUY	0.60		
2021-09-15	BUY	0.60		
2021-10-06	BUY	0.60		
2021-10-13	BUY	0.40		
2021-10-21	BUY	0.40		
2021-11-18	BUY	0.40		
2022-01-17	BUY	0.40		
2022-01-28	BUY	0.40		
2022-03-07	BUY	0.40		
2022-03-14	BUY	0.40		
2022-04-06	BUY	0.40		
2022-04-27	BUY	0.40		
2022-06-08	BUY	0.40		
2022-07-29	BUY	0.40		
2022-10-14	BUY	0.40		

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Company Name	Ticker Symbol	Disclosures
Grid Metals Corp.	TSXV:GRDM	3,6

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