



**FRONTIER LITHIUM INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED**

**MARCH 31, 2021**

This Management Discussion & Analysis (“MD&A”), for Frontier Lithium (“Frontier” or the “Company”), is prepared with an effective date of March 31, 2021 unless otherwise indicated and should be viewed in conjunction with the Company’s financial statements. Other continuous disclosure documents, including the Company’s press releases and other quarterly and annual reports are available through its filings with the securities regulatory authorities in Canada at [www.sedar.com](http://www.sedar.com) (“SEDAR”) and are also available on the Company’s website [www.frontierlithium.com](http://www.frontierlithium.com).

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## INTRODUCTION

The following management discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of Frontier Lithium Inc. (the "Corporation") and the highlights of its financial condition. It explains the financial situation and the results for the twelve-month period ended March 31, 2021 and 2020 and the comparison of the Corporation's consolidated condensed interim statement of financial position as at March 31, 2021 and March 31, 2020.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the audited consolidated financial statements for the twelve-month period ended March 31, 2021, and the audited consolidated financial statements of the Corporation for the fiscal year ended March 31, 2020 and the related notes thereto which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). All financial information contained in this MD&A and the Corporation's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

The audited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors on July 27, 2021. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars unless otherwise indicated.

## FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, contained in this MD&A including, but not limited to, any information as to the future plans and outlook for the Corporation, constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, and are based on expectations, estimates and projections as of the time of this MD&A. The words "anticipates", "plans", "expects", "indicate", "intend", "scheduled", "estimates", "forecasts", "guidance", "initiative", "outlook", "potential", "projected", "pursue", "strategy", "study", "targets", or "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "way forward", "will be taken", "will occur" or "will be achieved" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, acting in good faith, as of the time of such statements, are inherently subject to

significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions may prove to be incorrect. Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, actual results to differ materially from those expressed or implied in any forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important risk factors and future events could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## I. REPORTING ENTITY, NATURE OF OPERATIONS, SCOPE OF ACTIVITIES AND GOING CONCERN

Frontier Lithium (“Corporation” or “the Corporation”) is a Canadian junior mining Corporation actively focused on the acquisition, exploration and development of mineral resource properties in North America. The Corporation is domiciled in Canada and incorporated under the Canada Business Corporations Act. The Corporations’ registered office is located at 2736 Belisle Drive, Greater Sudbury, Ontario (P3N 1B3). The Corporation is listed on the following exchanges:

Jurisdiction	Exchange	Symbol
Canada	Toronto Stock Exchange Venture (TSX.V)	<a href="#">FL</a>
United States	Over-the-Counter (“OTCQX”) – Best Market	<a href="#">LITOF</a>
Germany	Borse Frankfurt	<a href="#">HL2</a>

All material assets of the Corporation are located in the province of Ontario. The Corporation’s main assets include (not limited to), a mining lease, mining claims, exploration camp infrastructures and related equipment, vehicles, computer software and hardware.

## II. BUSINESS ACTIVITIES AND OBJECTIVES, PLANNED WORK AND FUTURE MILESTONES

### CORPORATION AND LOCATION

The Corporation is a pure-play lithium mineral exploration and development company focused on its 100%-owned PAK Lithium Project in northwestern Ontario, Canada. The Corporation maintains the largest land position on the Electric Avenue, an emerging premium lithium-mineral district which is hosted in the Canadian Shield of northwestern Ontario. The Electric Avenue is a major structural corridor in northwestern Ontario that divides two geological domains for hundreds of kilometers and hosts multiple rare metal occurrences containing high levels of lithium in the mineral called spodumene. Chief among these known occurrences is the PAK and Spark pegmatite deposits, located at the southeastern end of the Electric Avenue on the Corporation's PAK Lithium Project ([Figure 1](#)).

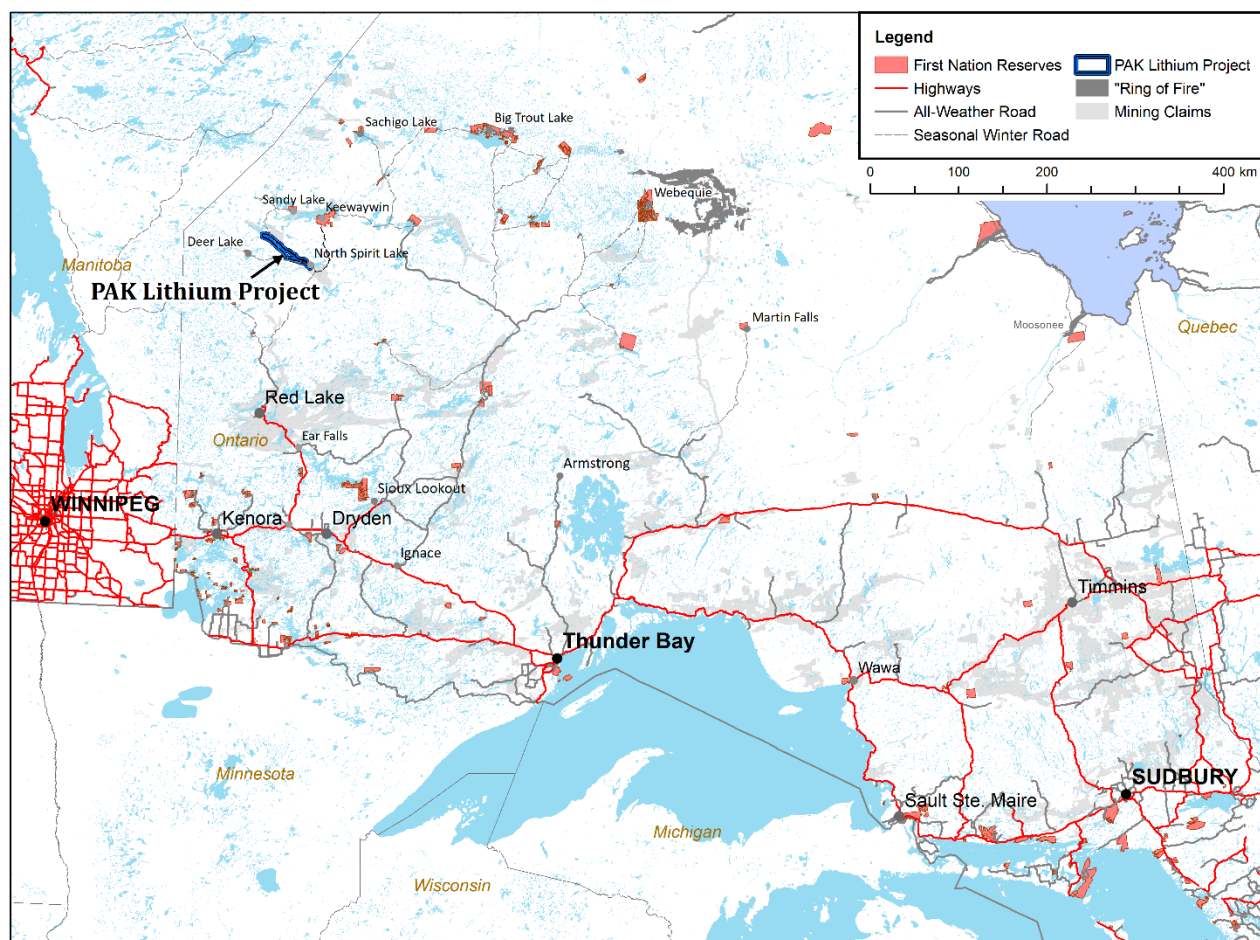


Figure 1: Project Location



## CORPORATION OVERVIEW

Frontier Lithium's objective is to become a strategic domestic supplier of spodumene concentrates for industrial users as well as battery-grade lithium hydroxide and other chemicals to the growing electric vehicle and energy storage markets in North America. Frontier is a Greater Sudbury, Ontario based company which maintains the largest land position and resource in a new premium lithium mineral district located in Ontario's Great Lakes region. The region is advantaged by favourable geology, proven metallurgy with access to intermodal hubs, infrastructure, power, and mining along with downstream lithium processing expertise for auto OEM's future lithium-ion battery requirements.

Frontier's leadership team's successful mining ventures include a multi-decade track record in funding, partnering, constructing and operating mining and refining companies in North America. The company has recently published a Preliminary Economic Assessment ("PEA") that resulted in a post-tax NPV<sub>8%</sub> of USD \$974M and a 21% IRR through a fully-integrated lithium operation utilizing spodumene concentrate generated from the PAK Lithium Project resource to achieve downstream conversion for production of battery-quality lithium chemicals (NI 43-101 Technical report titled "PAK Property" by BBA Engineering Ltd. issued on April 5, 2021). The company is currently conducting in-fill drilling on the Spark deposit and is currently performing an internal scoping study to assess various lithium chemical process options where testwork is being conducted at bench-scale and mini pilot-plant level to produce lithium hydroxide.

The Corporation has been actively involved since February 2013 in the exploration and development of the PAK Lithium Project, which hosts at surface the highest quality spodumene lithium hard rock deposit in North America ([Figure 2](#)). High-quality is defined by low impurity levels (e.g., iron levels less than .15% Fe<sub>2</sub>O<sub>3</sub>), high grade and volume determining an economically viable resource.



**Figure 2: PAK deposit at surface**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

### III. HIGHLIGHTS FOR THE TWELVE MONTHS ENDED MARCH 31, 2021 AND UP TO THE DATE OF THIS REPORT AND NEXT STEPS

#### EXPLORATION AND DEVELOPMENT HIGHLIGHTS:

During the fiscal year ended March 31, 2021, and up to the date of this report, exploration continued at the PAK Lithium Project with some minor delays due to the COVID-19 Pandemic. As of March 31, 2021, a total of \$13,984,764 in acquisition and exploration expenditures have been incurred on the project, net of government assistance.

The Corporation has had a successful year by advancing exploration and development work. In Fiscal 2021 the company uncovered a significant pegmatite zone immediately southwest of the Spark pegmatite on trend with the PAK deposit and completed one phase of diamond drilling on the Spark deposit. A LiDAR survey was planned for September 2020 to cover the entire project area but was delayed and will be flown in June 2021. The company formed a strategic partnership to develop lithium hydroxide chemical technology to diversify the Corporation from a pure exploration focus with the addition of development work to transition the project towards production of

premium concentrates taking initial steps towards refining lithium concentrate feedstock to produce higher purity lithium hydroxide chemicals in a laboratory setting.

## EXPLORATION

### A NEW DISCOVERY “BOLT”

On November 17, 2020, the Corporation announced the discovery of a significant pegmatite zone along trend of the Spark and PAK pegmatites. It has been traced intermittently over 600 m immediately to the west of Lucky Lake (Figure 3). A 36.4 m portion of the pegmatite was channeled returning 1.5% Li<sub>2</sub>O over the entire length. Similarly, to PAK, it has been intruded concordant with the main trend of the host rock. Several zones of pegmatite were discovered ranging between a few metres to over 50 m wide and traced for at least 600 m along the western side of Lucky Lake. The pegmatite encountered is generally concordant with the mafic meta-volcanic host rock and oriented sub-vertical. The surface of the pegmatite is typically dark grey, lichen-covered and oxidized making it considerably less conspicuous than the lighter-colored Spark and PAK pegmatites.

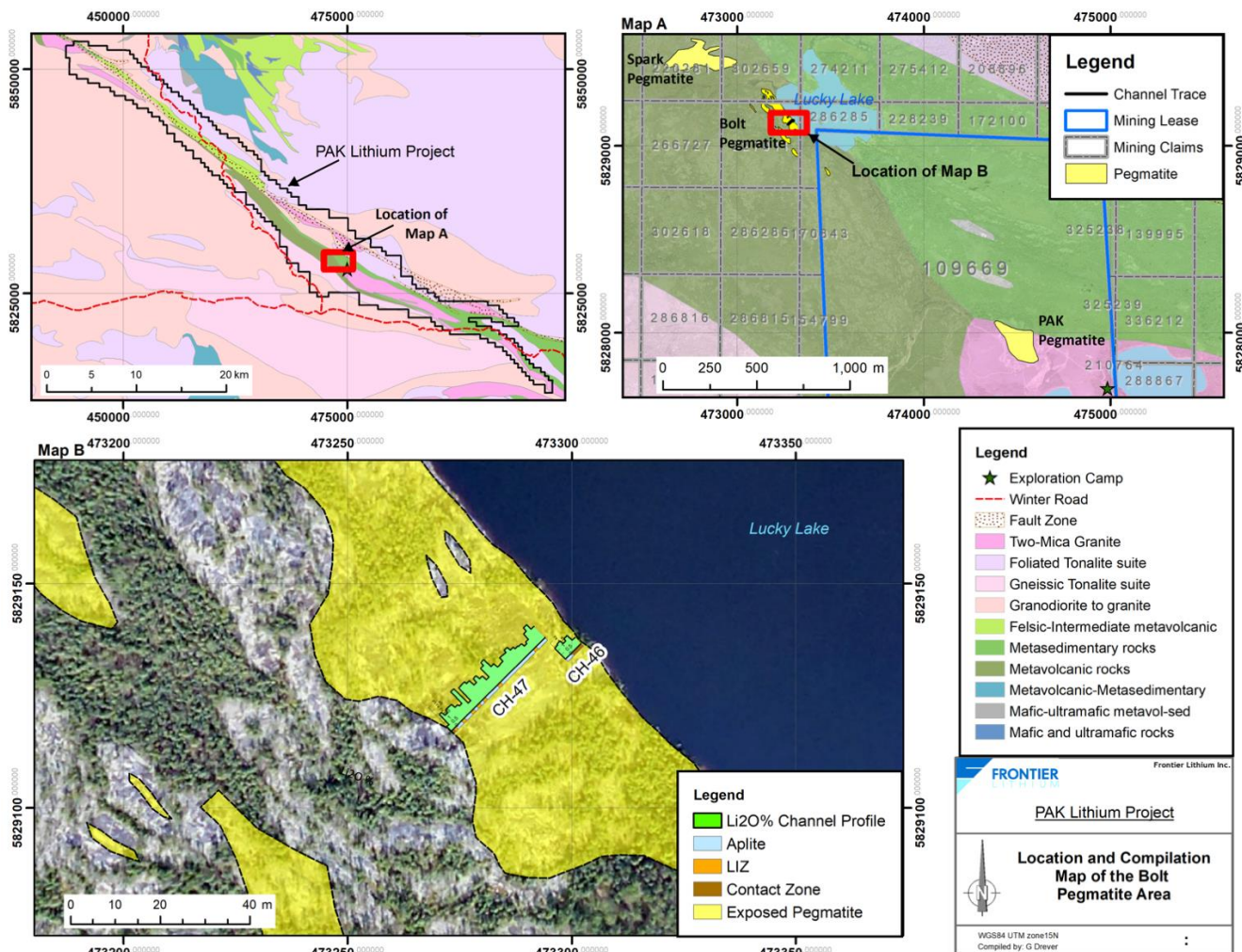
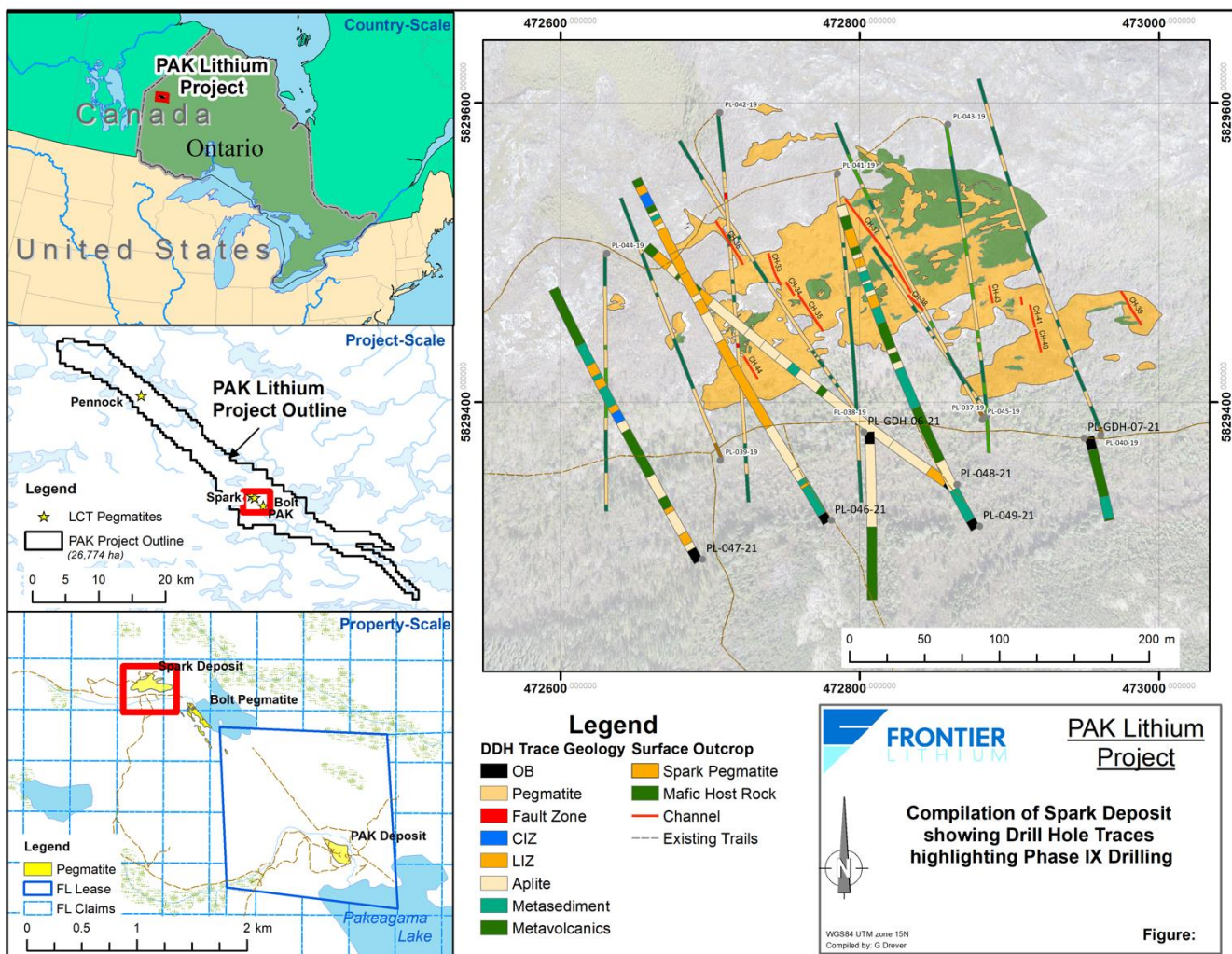


Figure 3: Compilation of the Bolt Pegmatite Discovery

## PHASE IX DRILLING AT SPARK

The Corporation completed a 6-hole, 1,631 m diamond drill program on the Spark pegmatite during February and March, 2021. The objectives for the Phase IX drill program were to complete targets that were not easily accessible in summer months and considered vital for completing a Pre-Feasibility Study. Drilling included four delineation (in-fill) and two geomechanical holes. The geomechanical holes were drilled to test stability of the proposed southern pit wall. Figure 1 is a location map showing the project area including a compilation of the Spark Deposit area with traces for all drilling including the Phase IX holes. As of March 31<sup>st</sup> 2021, samples had been submitted for chemical analysis but not yet analysed.



**Figure 4: Compilation of the Spark Pegmatite showing highlighting Phase IX Drill Holes**

Management believes that the Spark discovery combined with the PAK deposit is now considered “World-Class” and the size of resource would allow for Frontier’s objective of adequate size of reserves for being a future fully integrated mining and chemical company producing 25,000 tonnes LCE for an estimated 20 or more years.

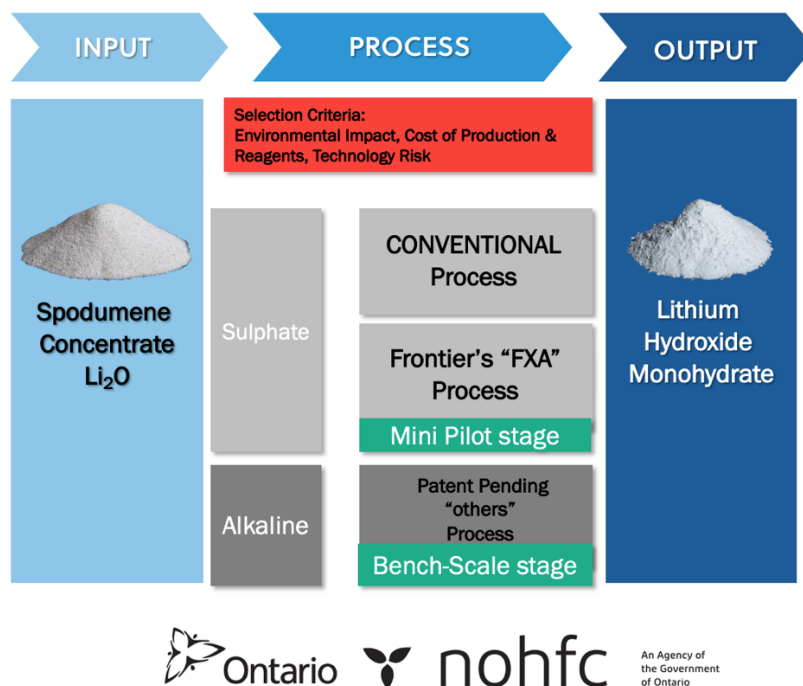
## DEVELOPMENT

### ***Lithium chemicals Test Work Programs***

The Company is currently conducting an internal scoping study to assess various lithium chemicals processing options for selection of demonstration for its future commercial objectives. As part of the testwork required Frontier has constructed a mini-pilot with the goal of producing high quality lithium-bearing pregnant leach solutions (“PLS”) that are suitable for continuous crystallization. In January 2021, the Corporation announced the commencement of a lithium hydroxide mini-pilot plant program assessing a variation of a “conventional” sulphate process.

The pilot aims to generate initial high-purity battery grade lithium hydroxide chemical which will be used as marketing samples displaying the potential of the resource and to provide essential data required for a future feasibility study to be conducted by the company. The final crystallization work is expected to be start in the summer of 2021 and completed in the fall of 2021. The pilot work attracted a \$363,000 investment from Northern Ontario Heritage Fund Corporation.

The Company has identified other specific technologies of interest for lithium compounds produced from the transformation of spodumene concentrates. The Company has initiated bench scale testing to assess most feasible options (Figure 5) to convert high-quality feedstock to subsequent lithium salts. Frontier’s PAK lithium project is in the Great Lakes region, a location identified by the Corporation to become a critical North American supply chain hub for electric vehicle production and sales.



**Figure 5: Lithium Chemicals process assessment**

The COVID-19 pandemic has tested battery supply chain resiliency, driven by China's dominant position in critical sectors like critical minerals and chemicals processing. Driven by such event, the Company is also studying the supply chain of suggested technologies and reagents to make final technology decision with regards to lithium chemicals process and technology in Fiscal 2022 which will be used in a future Preliminary Feasibility Study.

The Corporation believes that these test works will spearhead the production of high-quality battery grade lithium products in Northern Ontario and help establish this region as a significant Canadian contributor to clean energy technology. With close proximal location, Frontier is targeting the vehicle manufacturing potential of Ontario and Michigan as the greatest potential use of lithium compounds possibly produced in the future by the Corporation.

In February 2021, the Company announced the hiring of Dr. Naizhen Cao as Vice President Technology. Dr. Cao is an industry veteran having worked both in China and Canada as senior technical leader with expertise in lithium and battery materials. During his career, he held several key positions within the lithium industry including Chief Scientist at Tianqi Lithium, a global lithium producer, where he managed the Technical Division and established the Key Lab of Lithium resources and lithium materials of the Sichuan Province of China. In addition, Dr. Cao launched and led key project on lithium materials production. Most recently Dr. Cao was Chief Technology Officer for a subsidiary of CATL, where he participated in all aspects of lithium mining and concentrate production. Mr. Cao published more than 50 scientific papers and filed more than 60 patents with particular proficiency in battery materials with specific focus on lithium chemicals and metal/alloys. Dr. Cao holds a Ph.D., from Tsinghua University, China, in Materials Science and engineering and held a Postdoc at Laval University, Canada in Chemical Engineering.

In March 2021, the Company announced that the former Chief of Sandy Lake First Nation, Bart Meekis will be joining the Board of Directors. Bart Meekis is a member of the Oji-Cree First Nation of northwestern Ontario and resides in Sandy Lake, Ontario. Mr. Meekis previously served 16 years on the Sandy Lake First Nation council, including 4 years as Deputy Chief and 6 years as Chief. Mr. Meekis appointment will ensure that the communities of Deer Lake, Keewaywin, North Spirit Lake and Sandy Lake First Nations are further represented at the highest level of the Company. Bart has long been an advocate for sustainable, transparent and inclusive mineral development in the Oji-Cree region.

#### IV. MINING PROPERTY, 2021 PRE-ECONOMIC ASSESSMENT (PEA) FOR FULLY INTEGRATED MINING TO CHEMICAL PRODUCTION

At the date of this report, the Corporation owns 100% of the PAK Lithium mining property consisting of one mining lease containing the PAK Deposit and 1,378 contiguous mining claim units totalling 26,774 hectares. Figure 6 is a location map showing the location of the PAK Lithium project land tenure relative to other land holders. Applications for two additional Mining Leases consisting of 119 of the Mining Claims has been submitted and are expected to be granted during Fiscal 2022 (Figure 7).

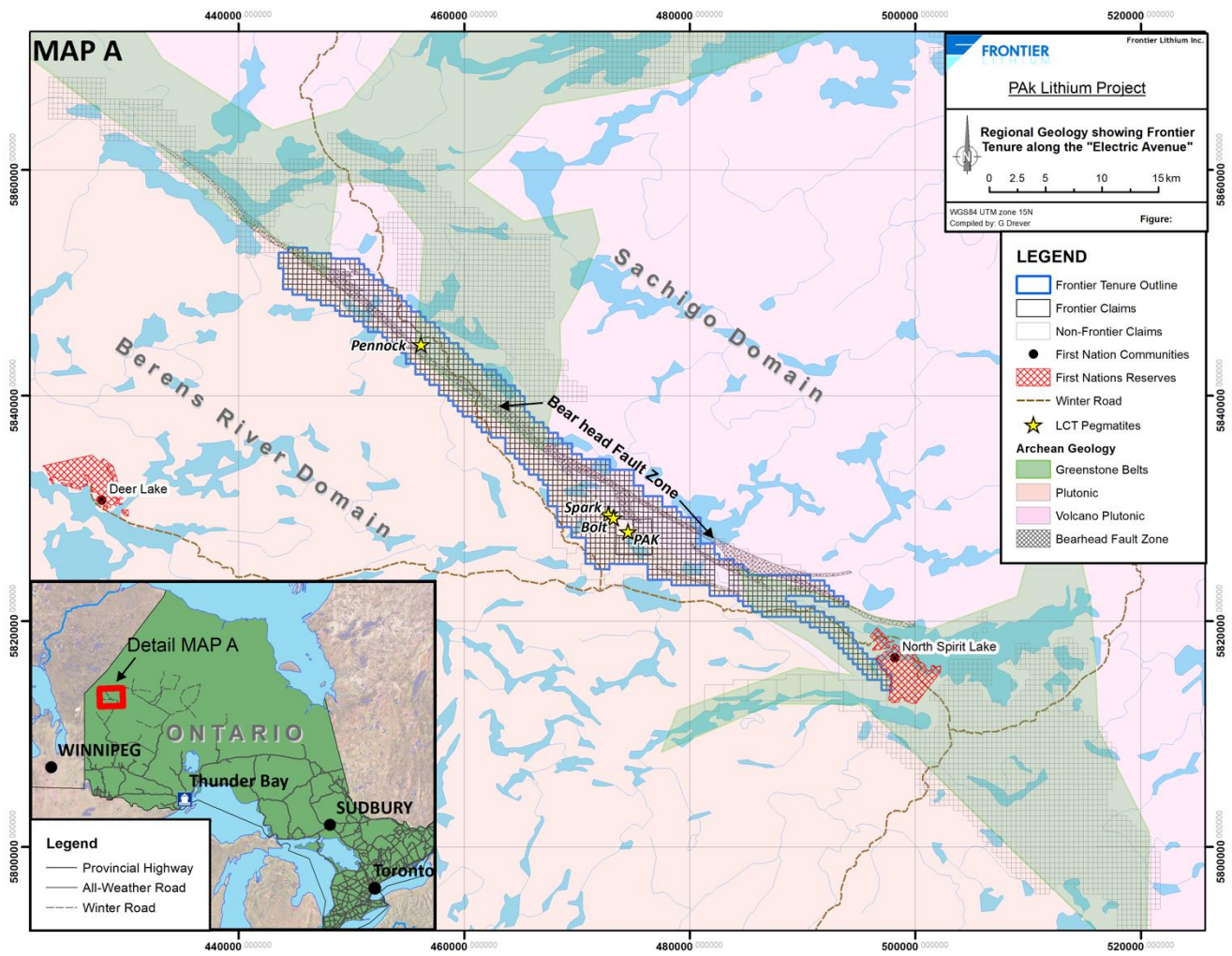
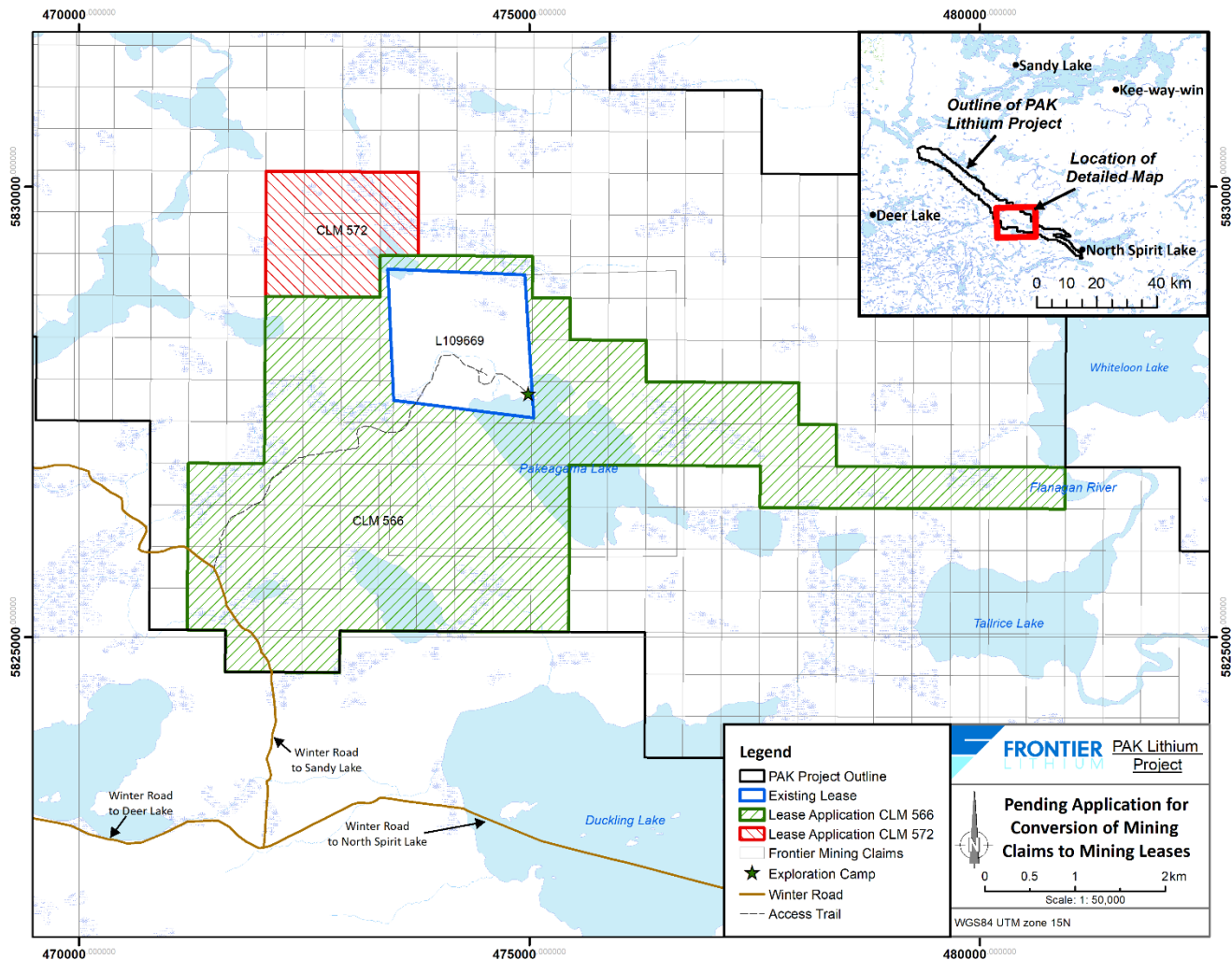


Figure 6: Location of Frontier Lithium Land Tenure along the "Electric Avenue" of Northwestern Ontario



**Figure 7: Location of Pending Mining Lease Applications**

There has been no previous mining or other development activities on the project. The only activities have been early exploration including line cutting ground geophysics, geological mapping, outcrop sampling, diamond drilling, and a 280-tonne bulk sample from the PAK deposit's high-grade zone (UIZ) at surface in 2015. The Project area is underexplored; is in planning stages for the tenth (10th) phase of diamond drilling and is serviced by a temporary 20-person camp.

In early April 2021, the Corporation acquired the 2.5% Net Smelter Royalty ("NSR") that was outstanding on the Company's Pakeagama Lake Mining Lease 109669 for consideration of \$4,000,000 in cash and 1,000,000 common shares of the Company at a price of \$1.00 per share. As a result of the above-mentioned transaction the current known resource comprised from the PAK and Spark deposits remains free and clear of the NSR.

On February 16th, 2021, the Corporation announced the results of a Preliminary Economic Assessment (PEA) for a proposed mine-to-lithium hydroxide chemical hydro-met plant facility. This fully Integrated Project PEA assumes a hydro-met plant that would convert spodumene concentrate feedstock sourced from open-pit mining and a



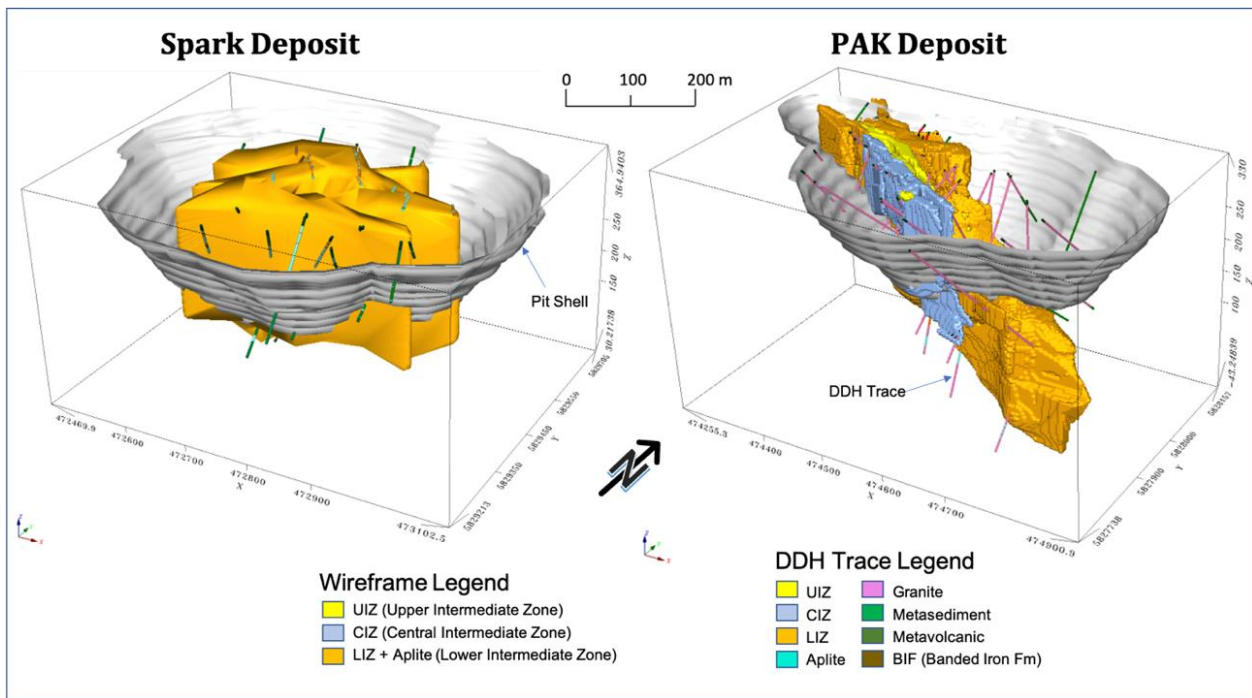
milling facility producing spodumene concentrates at the Company's PAK Lithium Project, located north of Red Lake, Ontario.

The fully Integrated Project PEA has been undertaken to determine the potential viability of the integrated project comprising a mine/concentrator and chemical plant in northern Ontario and to reach a decision to proceed with more definitive studies. This PEA is preliminary in nature, includes inferred mineral resources that are considered too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty the PAK Lithium Project outlined by the PEA will be realized. The Company has concluded it has a reasonable basis for providing the forward-looking statements included in this announcement and believes that it has a reasonable basis to expect it will be able to fund the development of the Integrated Project. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PEA.

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## MINING AND MILLING

A preliminary integrated site plan including mining operations, waste disposal, and concentrator was considered and developed for the purpose of the PEA. The PEA study outlines two open pits at the mine, one at the PAK deposit and one at the Spark deposit. The PAK deposit contains a pit constrained mineral resource in the measured and indicated categories of 5.4 million tonnes averaging 1.99% Li<sub>2</sub>O and a pit constrained inferred mineral resource of 0.60 million tonnes averaging 1.97% Li<sub>2</sub>O that hosts a rare technical/ceramic grade spodumene with low inherent iron (below 0.1% Fe<sub>2</sub>O<sub>3</sub>). The Spark deposit is located only 2km northwest of the PAK deposit and contains a pit constrained mineral resource estimate of 3.3 million tonnes averaging 1.59% Li<sub>2</sub>O in the indicated category and a pit constrained mineral resource of 15.7 million tonnes averaging 1.31% Li<sub>2</sub>O in the inferred category. [Figure 8](#) is a 3D rendering of both PAK and Spark showing the pit constraint. Under the PEA, the open pits targeted production results in an anticipated stripping ratio of 3.6 to 1. The open pits will be mined using a standard fleet of off-road mining trucks and hydraulic excavators at a rate of approximately 2,900 tonnes of ore per day. The concentrator will process all of the ore generated from mining operations. Frontier Lithium has filed with appropriate authorities for a mining lease which comprises the mining and surface rights necessary to mine the PAK and Spark deposits and encompass the appropriate area for a mining operation as outlined in the PEA. Frontier Lithium does not have the necessary permits in place at the time of writing this document to build the project as described in the PEA.



**Figure 8: 3-D Rendering of the Pak and Spark Deposits with the PEA Pit Constraints**

## CHEMICAL – HYDRO-MET PLANT

The hydro-met plant PEA considers a lithium processing plant to be located on a Great Lakes port and includes spodumene concentrate receiving and storage facilities, reagent receiving and storage facilities, process facilities and site infrastructure. For the purpose of the PEA the chemical plant flowsheet incorporates as far as practical ‘conventional’ or proven-in-operation, equipment, and process stages, in order to minimize process, technology and equipment risk. The hydro-met plant is designed to produce 23,174 tonnes per year of battery grade lithium hydroxide monohydrate (approx. 20,400 t/year of lithium carbonate equivalent “LCE”)

The tables below highlight selected information regarding the PEA.

**Table 1: Summary of PAK Project PEA Economics**

<b>Project Economics</b>	
<b>Pre-Tax</b>	
NPV8	\$1.62 Billion (“B”)
IRR	27%
Cumulative Cash Flow	\$5.26 B
Annual Average EBITDA (steady-state)	\$225 Million (“M”)
<b>Post-Tax</b>	
NPV8	\$974.6 M
IRR	21%
Cumulative Cash Flow	\$3.51 B

**Table 2: Summary of PAK Project PEA Assumptions**

<b>Economic Assumptions and Parameters</b>	
Exchange Rate (\$USD/\$CAD)	\$0.78
Discount Rate (base case)	8%
Technical Grade Concentrate (7.2% Li2O)	\$1,600/tonne
Chemical Grade Concentrate (6.0% Li2O)	\$750/tonne
Lithium Hydroxide Monohydrate_Battery Grade	\$13,500/tonne

**Table 3: Summary of PAK Project PEA Production Profile**

<b>Production Profile</b>	
<b>Total Project Life (LOM)</b>	26 Years
<b>Mine and Concentrator</b>	
Total Tonnes Milled	22,914,500
Diluted Head Grade	1.46% Li2O
Average Stripping Ratio (W:O)	3.6
Daily mill commercial throughput	2,900 t/d
Average Lithium Recovery (mill)	83.9%
Total CG Production (6.0% Li2O)	4,076,600 tonnes
Total TG Production (7.2% Li2O)	525,700 tonnes
<b>Hydromet Plant</b>	
Yearly chemical plant throughput	160,000 tonnes
Lithium Recovery	85%
Total battery grade Lithium Hydroxide (LiOH)	556,200 tonnes

**Table 4: Summary of PAK Project PEA Operating Costs**

<b>Operating Costs</b>	<b>\$/t processed</b>
<b>Mine and Concentrator</b>	
Direct Open Pit Mining Cost	3.48
Direct Processing Cost	17.82
Avg. Spodumene Conc. Production Cost (EXW hydromet plant)	313
<b>Hydromet Plant</b>	
Average Processing Cost	1,785
Lithium Recovery	85%
Total Lithium Hydroxide Production Cash Cost (EXW plant)	4,083

**Table 5: Summary of PAK Project PEA Capital**

<b>Capital Requirements</b>	<b>\$ Million</b>
<b>EPCM</b>	41.3
<b>Contingency</b>	111.4
<b>Mine and Mill</b>	
Site Preparation/Infrastructure	41.4
Mill Processing and Storage	100.3
Power Distribution	6.2
Open Pit Equipment	16.6
Water treatment and waste management	4.2
<b>Chemical Plant</b>	
Civil/Structural	103.9
Hydromet Processing	168.8
Utilities/Aux. & Services	90.9
<b>Total Pre-Production Capital Cost</b>	684.9
<b>Total Sustaining Capital Cost</b>	117.1

**Table 6: Summary of PAK Project Resources**

<b>PAK Lithium Project Global Resource</b>										
<i>(January 22, 2021)</i>										
Deposit	Cut-off	Resource Category	Commodity	Geologic Zone	MT	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)	Cs <sub>2</sub> O (%)	Rb <sub>2</sub> O (%)	Contained Li <sub>2</sub> O (t)
PAK Open-Pit	0.6 % Li <sub>2</sub> O	Measured	Lithium Zone	UIZ,LIZ	1.34	2.14	94	0.04	0.25	<b>28,790</b>
			Pegmatite	Bulk	1.34	2.14	94	0.04	0.25	<b>28,790</b>
		Indicated	Lithium Zone	UIZ,LIZ	4.08	1.94	97	0.04	0.29	<b>79,246</b>
			Pegmatite	Bulk	4.62	1.72	99	0.04	0.33	<b>79,246</b>
		Inferred	Lithium Zone	UIZ,LIZ	0.60	1.97	81	0.02	0.23	<b>11,893</b>
			Pegmatite	Bulk	0.68	1.75	89	0.03	0.26	<b>11,893</b>
PAK Underground	0.6 % Li <sub>2</sub> O	Measured	Lithium Zone	UIZ,LIZ	-	-	-	-	-	-
			Pegmatite	Bulk	-	-	-	-	-	-
		Indicated	Lithium Zone	UIZ,LIZ	1.26	2.15	91	0.04	0.29	<b>27,127</b>
			Pegmatite	Bulk	1.27	2.14	91	0.04	0.29	<b>27,127</b>
		Inferred	Lithium Zone	UIZ,LIZ	2.07	2.38	72	0.02	0.25	<b>49,214</b>
			Pegmatite	Bulk	2.08	2.37	73	0.02	0.25	<b>49,214</b>
PAK Combined Open Pit & Underground		Measured	Lithium Zone	UIZ,LIZ	1.34	2.14	94	0.04	0.25	<b>28,790</b>
			Pegmatite	Bulk	1.34	2.14	94	0.04	0.25	<b>28,790</b>
		Indicated	Lithium Z	UIZ,LIZ	5.34	1.99	96	0.04	0.29	<b>106,373</b>
			Pegmatite	Bulk	5.88	1.81	98	0.04	0.32	<b>106,373</b>
		Inferred	Lithium Zone	UIZ,LIZ	2.67	2.29	74	0.02	0.24	<b>61,107</b>
			Pegmatite	Bulk	2.76	2.22	77	0.02	0.25	<b>61,107</b>
Total PAK		Measured + Indicated		Bulk	7.23	1.87	97	0.04	0.31	<b>135,163</b>
		Inferred		Bulk	2.76	2.22	77	0.02	0.25	<b>61,107</b>
		Total Resource		Bulk	<b>9.99</b>	<b>1.97</b>	<b>91</b>	<b>0.04</b>	<b>0.29</b>	<b>196,270</b>
Total Spark	0.6 % Li <sub>2</sub> O	Indicated		Bulk	3.26	1.59	123	0.02	0.26	<b>51,850</b>
		Inferred		Bulk	15.72	1.31	108	0.02	0.23	<b>205,906</b>
		Total Resource		Bulk	<b>18.98</b>	<b>1.36</b>	<b>111</b>	<b>0.02</b>	<b>0.23</b>	<b>257,756</b>
Total PAK <i>plus</i> Spark			Measured + Indicated		<b>10.49</b>	<b>1.78</b>	<b>105</b>	<b>0.03</b>	<b>0.29</b>	<b>187,013</b>
			Inferred		18.48	1.45	104	0.02	0.23	<b>267,013</b>
<b>Total Resource (PAK + Spark)</b>					<b>28.97</b>	1.57	104	0.03	0.25	<b>454,025</b>

The Corporation has expended to March 31, 2021, a total of \$13,984,764 in acquisition and deferred exploration costs, net of government assistance. Reserve LCE/PAK Lithium Project acquisition/exploration costs total an estimated CAD \$50.7 tonne LCE, a justified investment given that current battery grade carbonate pricing is above \$11,000 / tonne in global markets.

Lithium and market analysts consider 25 years supply of 20k tonnes LCE or 500k tonnes LCE total as being a key project metric for evaluating companies and projects globally. The open-pit PAK and Spark Resource (Measured and Indicated) is 394,820 tonnes LCE and reduced to an “internally” estimated Reserve of 276,374 tonne LCE when factoring Resource to Reserve calculations based on previous studies at PAK. Management is targeting an additional 8 to 10 million near-surface tonnes (measured and indicated) on the Spark Pegmatite. Table 7 outlines the Corporation’s rationale for an exploration target of 8 to 10 million tonnes grading between 1.3 to 1.6% Li<sub>2</sub>O for a total Spark target of 11 – 14 million tonnes of measured and indicated.

**Table 7: Current Estimate of Reserve and Exploration Target**

<b>Currently Outlined</b>					
AREA	Resource (Measured and Indicated)				Reserve *
	Li <sub>2</sub> O%	MT	Li <sub>2</sub> O Tonnes	LCE Tonnes	LCE Tonnes
PAK Open Pit (M)	2.14	1.34	28,676	70,911	49,638
PAK Open Pit (I)	1.94	4.08	79,152	195,731	137,012
Spark Open Pit (I)	1.59	3.26	51,834	128,178	89,724
Totals			159,662	394,820	276,374
<b>Exploration Target</b>					
AREA	Resource (Measured and Indicated)				Reserve *
	Li <sub>2</sub> O%	MT	Li <sub>2</sub> O Tonnes	LCE Tonnes	LCE Tonnes
Spark Open Pit (M+I)	1.3	10	130,000	321,470	225,029
Spark Open Pit (M+I)	1.6	8	128,000	316,525	221,567
<i>* Reserve (Mineable) ~ 70% of the Resource</i>					
Factors					LCE Tonnes
20 years of supply at 25Kt LCE per year					500,000
Estimate of Mineable LCE at PAK					276,374
<b>Reserve (Mineable LCE Required)</b>					<b>223,626</b>
<b>Resource LCE Required</b>					<b>319,466</b>

With proximity (~2 km from the PAK deposit), the Corporation has deemed Spark as the most cost-effective way of sourcing the additional LCE to hit the “chemical grade” feedstock metric as outlined above. This is an attainable goal given that Spark maintains approximately twice the surface area of the PAK deposit and drilling results to date have intersected strong grades and thicknesses.

In conclusion, the above rationale has been used for the short-term exploration expenditures on the project and establish management’s goal with a resource estimate of 8 - 10 million tonnes that fall under measured and indicated categories.

The deposit remains open in all directions and preliminary electron microprobe data suggest much of the spodumene within the pegmatite contains iron levels consistent with technical grade concentrates. It is estimated that an expenditure of \$750,000 and 2,000 metres of future drilling is required to increase the resource up to the measured and indicated goal mentioned above. The company is planning on accomplishing the drilling and resource update in Fiscal 2022.

## V. SELECTED FINANCIAL INFORMATION

The following table summarizes the Corporations' selected key financial data taken from the consolidated statements of loss for the twelve months ended March 31, 2021 and 2020 as well as the consolidated statement of financial position as at March 31, 2021, and March 31, 2020.

**Table 8: Consolidation Statement of Loss**

Consolidated statements of Loss		
	Twelve-months ended March 31	
Earnings and loss	2021 (\$)	2020 (\$)
Net loss before income taxes	(6,818,448)	(1,819,026)
Net loss and comprehensive loss	(6,657,247)	(1,646,511)
Loss per share, basic and diluted	\$(0.04)	\$(0.01)

**Table 9: Consolidation Statements of Financial Position**

Consolidated statements of Financial Position		
	Period Ended	
	March 31, 2021 (\$)	March 31, 2020 (\$)
Cash and cash equivalents	10,307,229	565,946
Restricted cash (flow-through expenditures)	37,593	196,232
Working capital	9,620,448	313,245
Total assets	25,135,488	13,552,282
Total liabilities	1,381,045	665,469
Shareholder's Equity	23,754,443	12,886,813

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021

As at March 31, 2021, the current assets of the Corporation were at \$10,935,525, an increase of \$9,956,811 when compared to March 31, 2020. The increase in the total assets during the twelve-month period ended is mostly due to the increase in cash and cash equivalents (Table 9).

**Table 10: Statement of Operations, Comprehensive Loss and Deficit**

<b>For the twelve months ended March 31, 2021</b>	<b>2021</b>	<b>2020</b>
<b>Expenses</b>		
Stock option compensation (Notes 11 and 12(e))	\$5,366,890	\$449,189
Consulting (Notes 11)	444,597	391,591
Wages and benefits	255,696	221,999
Vehicle and travel	58,199	169,768
General and administrative	371,802	276,819
Professional fees	109,158	174,800
Amortization (Note 6)	77,975	70,951
Shareholder and investor relations	3,188	3,944
Insurance	22,840	22,773
Telephone	11,990	15,386
Office rental (Note 11)	-	9,000
Bank charges and interest	8,863	6,916
Amortization of Right of Use Asset (Note 7)	7,305	-
	<b>6,738,503</b>	<b>1,813,136</b>
<b>Net loss before items below</b>	<b>(\$6,738,503)</b>	<b>(\$1,813,136)</b>
Unrealized foreign exchange loss	(86,697)	(1,335)
Unrealized gain (loss) on investments – FVTPL (Note 3)	6,752	(19,453)
Realized gain on investments	-	14,898
<b>Net loss before income taxes</b>	<b>(\$6,818,448)</b>	<b>(\$1,819,026)</b>
<b>Income tax recovery</b>		
Current (Note 10)	-	-
Deferred (Note 10)	161,201	172,515
	<b>161,201</b>	<b>172,515</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(\$6,657,247)</b>	<b>(\$1,646,511)</b>
<b>Deficit, beginning of year</b>	<b>(25,557,003)</b>	<b>(23,910,492)</b>
<b>Deficit, end of year</b>	<b>(32,214,250)</b>	<b>(25,557,003)</b>
<b>Basic and diluted loss per share</b>	<b>(\$0.04)</b>	<b>(\$0.01)</b>
<b>Weighted average number of shares</b>	<b>171,603,277</b>	<b>158,649,613</b>

The results for the twelve-month period ended March 31, 2021 show a loss before other items and income taxes of \$6,818,448 (\$1,819,026 for the same period in the previous year) as seen in [Table 8](#). The Corporation has no revenue from operations.

As seen in the previous consolidated statement of loss and comprehensive loss, the main expense variations between the current year and previous years comparative figures having an impact on the net loss and not including stock option compensations are: i) decrease by \$21,061 with the combined consultant fees, professional fees, wages and benefits mainly due to a decrease in the corporate human resources activities.; ii) promotion and advertising combined with representation, missions and trade shows decreased vehicle and travel expenses by \$111,569; iii) general and administrative expense increase of \$94,983.

## FINANCING ACTIVITIES FOR THE TWELVE-MONTH PERIOD ENDED MARCH 31, 2021

In June and July 2020, the company issued 10,077,000 units in a private placement financing for total proceeds of \$1,961,025. Each unit consisted of one common share and one half of one share purchase warrant exercisable at \$0.27 for twenty-four months. The fair value attributed to the 5,038,500 share purchase warrants was estimated to be \$373,662.

The company paid financing fees consisting of cash of \$17,400 and 423,120 warrants to brokers. Each warrant entitles the holder to acquire one common share of the company for \$0.27 for a period of two years. The warrants were valued at \$31,500.

In September 2020, 200,000 options were exercised to buy 200,000 common shares of the company for total proceeds of \$32,000.

In November 2020, the company completed a private placement financing. The company issued 3,025,710 units at \$0.35 per unit for total gross proceeds of \$1,058,999. Each unit consisted of one flow through common share and one half of one share purchase warrant, each warrant exercisable at \$0.45 for twenty-four months. The fair value attributed to the 1,512,852 share purchase warrants was estimated to be \$155,256.

The company paid financing fees consisting of cash of \$48,392 and 138,261 warrants to brokers. Each warrant entitles the holder to acquire one common share of the company for \$0.45 for a period of two years. The warrants were valued at \$14,189.

In December 2020, 62,500 warrants were exercised to buy 62,500 common shares of the company for proceeds of \$16,875.

In January 2021, 175,000 options were exercised to buy 175,000 common shares of the company for proceeds of \$43,750.

In February 2021, 140,000 options were exercised to buy 140,000 common shares of the company for proceeds of \$35,000



In March 2021, 990,000 options were exercised to buy 990,000 common shares of the company for proceeds of \$244,500.

In January to March 2021, 4,438,556 warrants were exercised to buy 4,438,556 common shares of the company for proceeds of \$1,553,706.

In March 2021, the company completed a private placement financing. The company issued 7,636,371 units at \$1 per unit for total gross proceeds of \$7,714,740. Each unit consisted of one common share and one half of one share purchase warrant, each warrant exercisable at \$1.25 for twenty-four months. The fair value attributed to the 3,818,186 warrants was estimated to be \$1,689,489.

The company paid financing fees consisting of cash of \$374,404 and 185,428 warrants to brokers. Each warrant entitles the holder to acquire one common share of the company for \$1.25 for a period of two years. The warrants were valued at \$82,049.

## INVESTING ACTIVITIES FOR THE TWELVE-MONTH PERIOD ENDED MARCH 31, 2021

During the twelve-month period ended March 31, 2021, a net amount of \$1,512,247 was used in investing activities comprised primarily of diamond drilling and related activities on the property and metallurgical related test work essential for completion of the Preliminary Economic Assessment. For details on the investment activities, please refer to the “Highlights for the twelve-months ended March 31, 2021, and up to the date of this report and next steps” section at the beginning of this document under the sub-sections “Exploration” and “Development”.

## VI. SELECTED QUARTERLY DATA

Operating results for each of the last 8 quarters are presented in the table below. The data related to these quarters were prepared in the same manner as that of the audited financial statements for the fiscal year ended March 31, 2021.

**Table 11: Operating Results for the Previous 8 (eight) Quarters**

Operating results as of:	Net Profit or (Loss) (\$)	Loss per share – basic (\$)
<b>Year Ended 2021</b>	<b>(6,657,247)</b>	<b>(0.04)</b>
<b>March 31, 2021</b>	<b>(3,863,726)</b>	<b>(0.04)</b>
December 31, 2020	(1,437,474)	(0.008)
September 30, 2020	(1,185,578)	(0.007)
June 30, 2020	(170,469)	(0.001)
<b>Year Ended 2020</b>	<b>(1,646,511)</b>	<b>(0.01)</b>
March 31, 2020	(273,650)	(0.001)
December 31, 2019	(816,075)	(0.005)
September 30, 2019	(230,847)	(0.002)
June 30, 2019	(325,939)	(0.001)
<b>Year Ended 2019</b>	<b>(1,643,458)</b>	<b>(0.01)</b>

## ACTIVITIES IN THE COMMON SHARES, SHARE PURCHASE OPTIONS, WARRANTS ISSUED TO SHAREHOLDERS AND COMPENSATION OPTIONS TO BROKERS:

Refer to Note 12 of the consolidated financial statements as at and for the period ended March 31, 2021 for the detailed breakdown on this section.

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## COMMON SHARES AND FINANCING SOURCES:

During the twelve months ended March 31, 2021, the company raised monies from the following sources:

- **Shares issued under private placement:** 20,739,081 shares issued for total gross proceeds of \$10,706,559.

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## OPTIONS:

	Options	Weighted Average Exercise Price
Balance at April 1, 2019	11,850,000	\$ 0.37
Options granted during year	2,316,666	0.30
Options exercised in year	(1,466,666)	0.14
Balance at March 31, 2020	12,700,000	0.33
Options granted during year	12,763,334	0.71
Options cancelled during year	(8,050,000)	0.46
Options expired during year	(1,633,334)	0.19
Options exercised in the year	(1,505,000)	0.24
Balance at March 31, 2021	14,275,000	\$ 0.67

During the year, 12,763,334 (2020 - 2,316,666) in stock options were issued to directors, employees, and consultants of the Company. Using the Black-Scholes option pricing model with the following assumptions: the average fair value of each option granted is approximately \$0.71 (2020 - \$0.19). Stock-based compensation of \$5,366,890 (2020 - \$449,189) was recognized in the year (stock option compensation) and credited to Contributed Surplus.

The weighted average of the remaining contractual life of options outstanding at March 31, 2021 was 4.5 years.

The following is a summary of the options outstanding at March 31, 2021, which have been granted by the Board of Directors:

<u>Expiry Date</u>	<u>Option Price</u>	<u>Number of Options</u>
April 28, 2021	0.24	200,000
December 11, 2024	0.30	2,316,666
September 23, 2025	0.25	4,445,000
February 23, 2026	1.05	6,813,334
March 17, 2026	1.04	500,000
		<u>14,275,000</u>

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**WARRANTS ISSUED TO SHAREHOLDERS:****Warrants outstanding:**

Balance at March 1, 2019	10,643,925
Warrants issued during the year	4,653,084
Warrants expired during the year	(2,427,042)
Warrants exercised during the year	<u>-</u>
Balance at March 31, 2020	12,869,967
Warrants issued during the year	11,116,347
Warrants expired during the year	(6,758,960)
Warrants exercised during the year	<u>(4,501,056)</u>
Balance at March 31, 2021	<u>12,726,298</u>

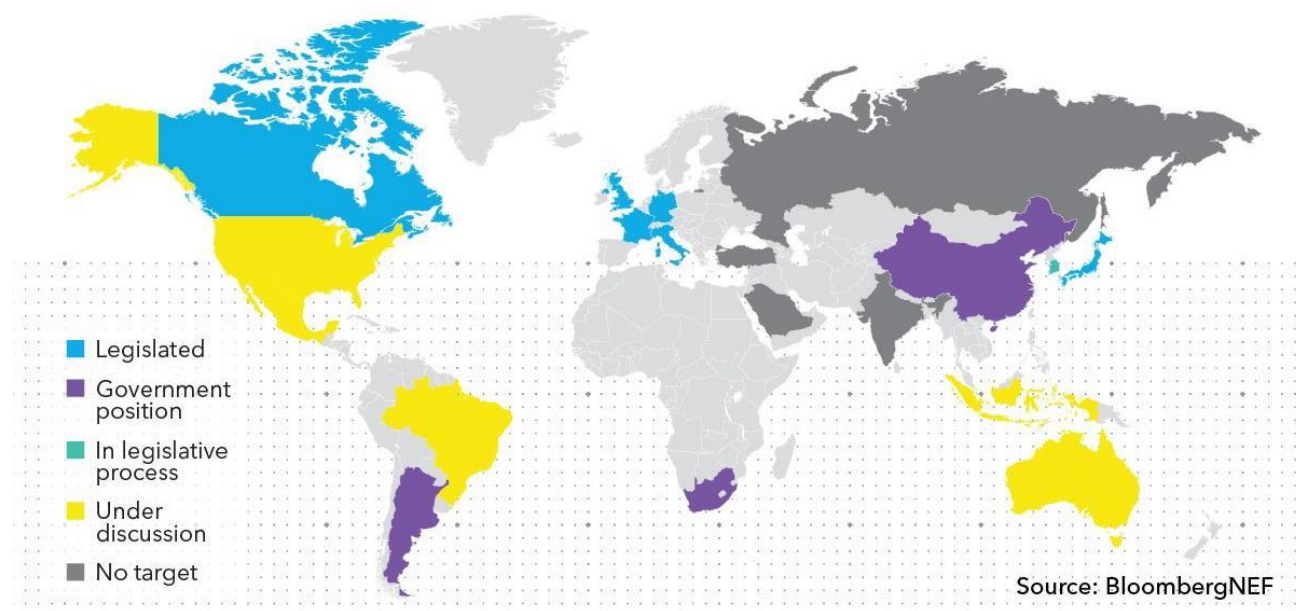
<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Warrants</u>
May 22, 2021	0.50	1,562,500
May 24, 2021	0.50	474,275
May 31, 2021	0.50	175,000
June 4, 2021	0.50	114,375
June 19, 2021	0.50	736,666
June 19, 2021	0.48	66,437
November 6, 2021	0.375	799,999
November 13, 2021	0.375	100,800
December 18, 2021	0.450	300,000
December 20, 2021	0.450	550,012
June 25, 2022	0.27	75,000
July 7, 2022	0.27	1,030,500
July 15, 2022	0.27	250,000
July 20, 2022	0.27	514,120
July 24, 2022	0.27	700,000
November 10, 2022	0.45	1,273,000
March 15, 2023	1.25	<u>4,003,614</u>
		<u>12,726,298</u>

## VII. OUTLOOK:

The North America electric vehicle market size is expected to reach USD 147.60 billion by 2028 and is anticipated to expand at a CAGR of 37.2% from 2021 to 2028.

Favorable initiatives to promote the adoption of electric vehicles coupled with rising crude oil prices are anticipated to drive the demand for Electric Vehicles (EVs). Electric vehicles generate power using an electric motor instead of an internal combustion engine that burns a mix of fuels and gases for power generation.

The increasing advantages of electric vehicles over conventional vehicles such as zero fuel emission, better performance, and lower total cost of ownership are expected to contribute to the growing demand for electric vehicles in the coming years. Figure 9 shows the status of Countries with Net-Zero Emission targets.



**Figure 9: G-20 Countries by Status of Net-Zero Emission Targets**

The growing preference for electric vehicles is prompting leading automotive manufacturers to launch electric vehicles. For instance, General Motors, a U.S.-based automotive company, has announced its plan to launch electric vehicles for personal use in the next few years. By 2025, the company plans to launch 30 EVs worldwide, and around two-third will be available in North America. The market's lucrative nature is expected to encourage more conventional vehicle manufacturers to shift into the electric vehicle space.

The outbreak of the COVID-19 pandemic has changed the overall business scenario for 2020 as well as for the next few years to come. Several industries and industry verticals have witnessed a significant setback due to the pandemic, and the automobile industry is no exception to that. The slumped business scenario has negatively impacted the production and sales of electric vehicles across North America. However, with increasing government initiatives to adopt electric vehicles, the market is likely to witness significant growth over the forecast

period.

In 2020, the U.S. captured around 70% of the electric vehicle demand in North America and is estimated to register a CAGR exceeding 30% from 2021 to 2028. This share is attributed to the rising demand for electric vehicles in the U.S.

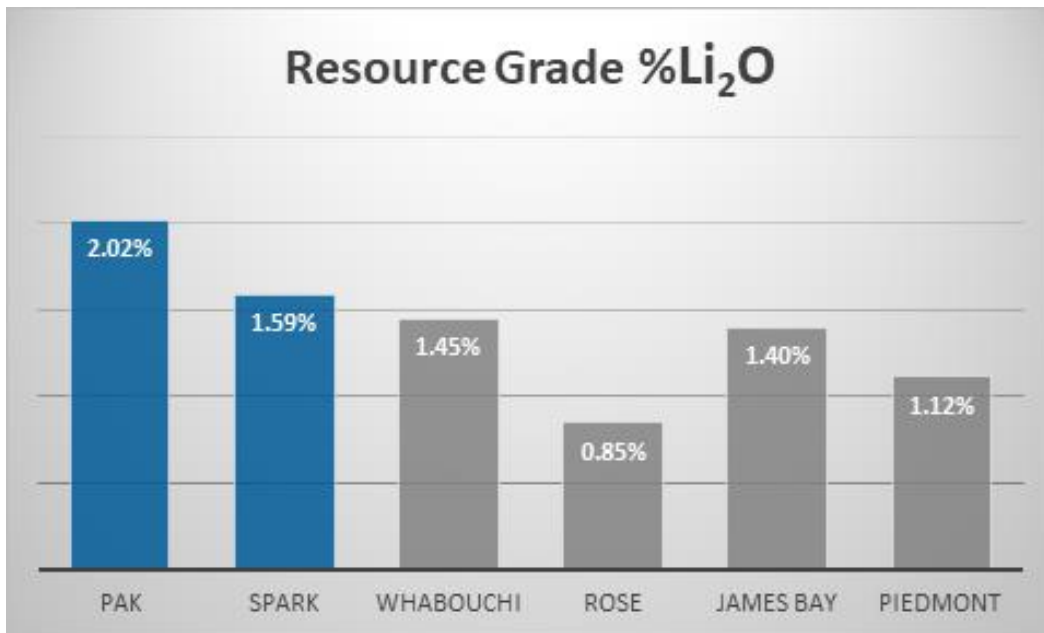
Moreover, new initiatives are being taken up by charging network companies, automotive manufacturers, and policymakers, and they have launched a new non-profit organization.

### **North America Electric Vehicles Market Highlights**

- In terms of product, the PHEV segment is estimated to register the highest CAGR of over 35% from 2021 to 2028 owing to the increasing demand for electric buses and trucks across the logistics and transportation industry
- Canada is projected to register the fastest CAGR exceeding 40% from 2021 to 2028 as the government in the country is focused on advancing the programs to support electric vehicle adoption

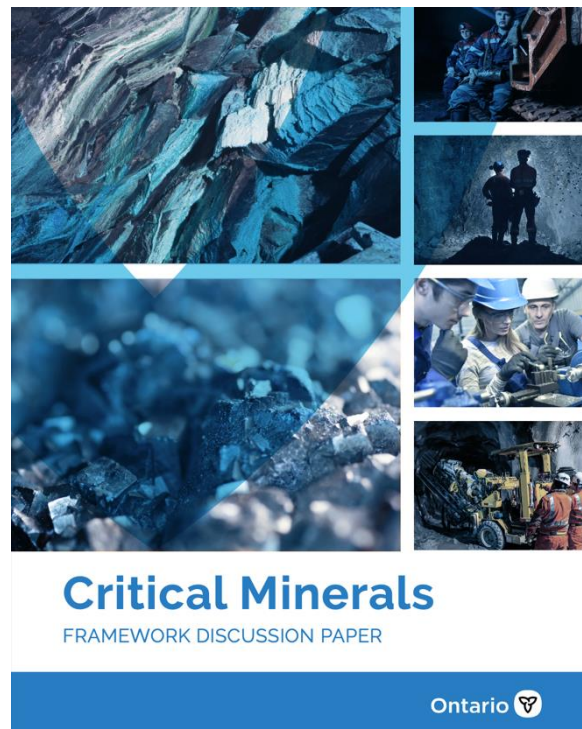
The Corporation remains focused on its strategy of advancing and de-risking the project with the ability to supply a wide range of lithium products used in “green technology” applications. Spodumene concentrate product could help the specialty glass and ceramics sector achieve efficiencies that reduce consumption of fossil fuels, energy costs and greenhouse gas emissions. Demonstration of lithium chemical products are required for the electrification of transportation (EV’s) and other energy storage applications remains as the primary objective for the Corporation.

The PAK Lithium Project is the highest quality lithium mineral resource in North America ([Figure 10](#)) due to its high-grade and low impurity properties in the pegmatite ore material and the spodumene mineral. The monetary value of low-iron (Fe) spodumene is greater than the more common, higher iron spodumene. Furthermore, a low Fe spodumene is also well suited to potentially produce a high-yielding chemical-grade lithium concentrates which is used to produce lithium chemicals which form the basis for manufacture of, among other applications, lithium-ion batteries for laptop computers, mobile phones, electric bicycles and electric/hybrid vehicles.



**Figure 10: North American Lithium Resource comparison by grade**

In March 2021 the Ontario province announced it is developing its first-ever Critical Minerals Strategy ([Figure 11](#)) to help generate investment, increase Ontario’s competitiveness in the global market, create jobs and opportunities in the mining sector, and support the transition to a low-carbon economy both at home and abroad. Frontier Lithium was called to support Minister Rickford’s Ontario Critical Minerals Strategy announcement.



**Figure 11: Ontario Critical Minerals Strategy Discussion Paper**

The Company was invited on stage for remarks during this virtual event which highlighted that Ontario is blessed with its “Electric Avenue”, North America’s newest emerging premium lithium mineral district that is host to four discoveries, two of which are the continent’s highest grade and lowest impurity lithium deposits. The Company’s recent Preliminary Economic Assessment shows a potential for a minimum 26-year mine life and revenue of over \$10.5 Billion dollars. The President and CEO commented during the event “By leveraging the Electric Avenue resource as a base and working with the peoples and skills of the north, we will provide a “made in Ontario” solution that will be the “north star” of sustainable development practices. Reduce, Reuse and Recycle, alternatively “the circle of life” – a symbol and vision of a future that all Ontarians relate to and can share together. Ontario’s Electric Avenue lies within the traditional lands of Deer Lake, Keewaywin, North Spirit Lake and Sandy Lake First Nations; local indigenous community members are currently walking and working these traditional lands with us searching for additional resources that can be leveraged for ongoing and increasing participation, job and wealth creation for families.”

### Lithium Market

During the first 90 days of 2021, lithium carbonate China spot, lithium hydroxide prices and Spodumene prices were up significantly compared to last year (Figure 12). Fastmarkets reported 99.5% lithium carbonate battery grade spot midpoint prices CIF China, Japan & Korea of US\$10.25/kg (US\$10,250/t), and lithium hydroxide battery grade spot midpoint prices CIF China, Japan & Korea of US\$11.50/kg (US\$11,500/t). Benchmark Mineral Intelligence Mid-March reported lithium carbonate prices of US\$11,700/t (technical grade) to US\$12,625 (battery grade), and for lithium hydroxide prices of US\$9,625/t.

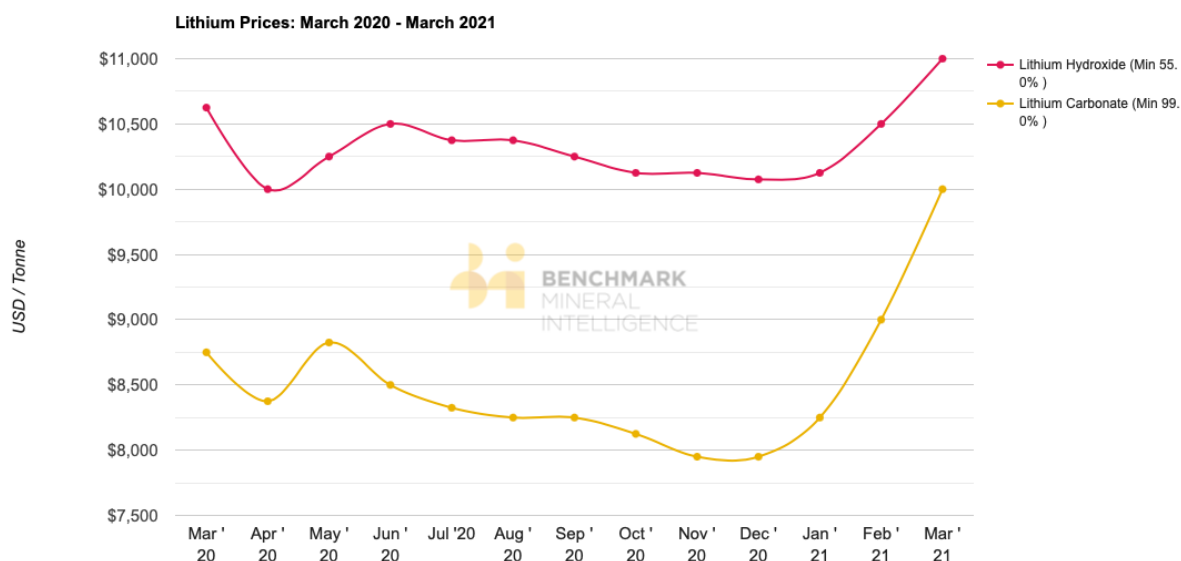
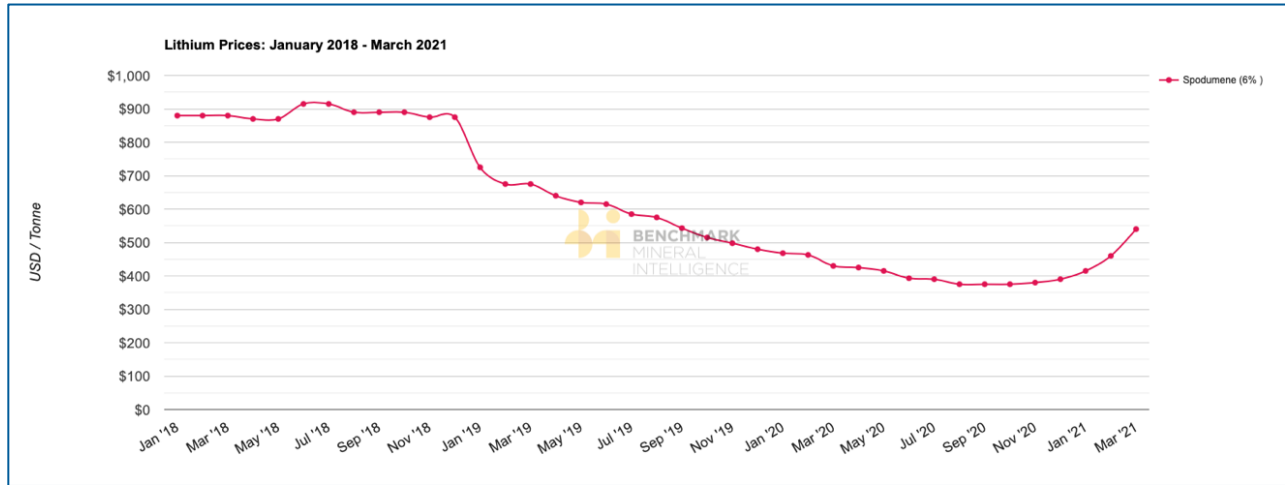


Figure 12: Lithium Carbonate and Hydroxide Spot Prices (March 2020 to March 2021)

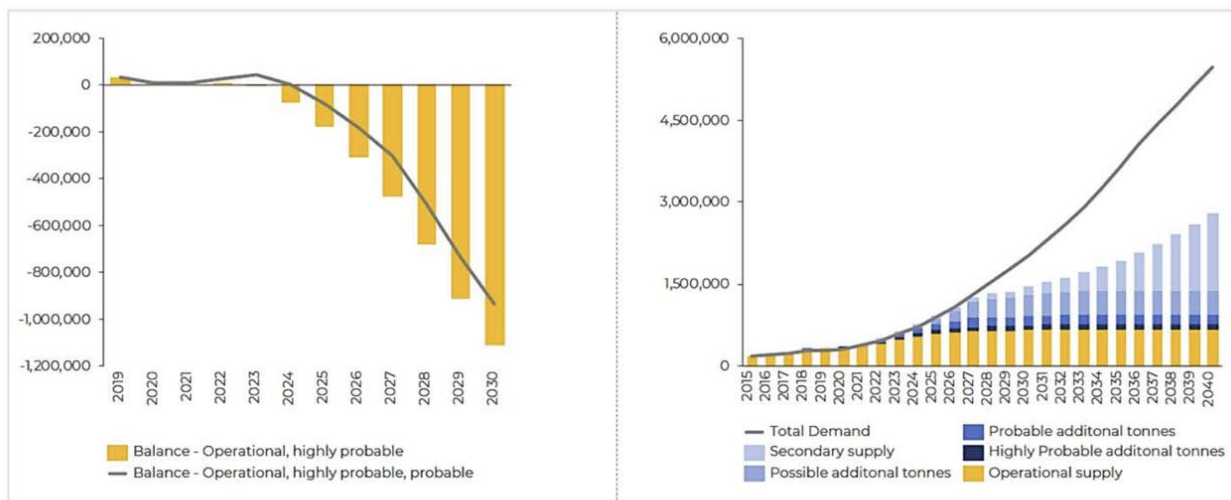


The [Figure 13](#) displays price trend since January 2018 to the date of this report on chemical grade spodumene concentrate (CG\_SC6.0) freight-on-board (“FOB”) Australia. The price decrease in feedstock to conversion plants in China have attributed to approximately 50% reduction in the lithium equity market since December 2018. The prices have started to increase as of January 2021, as result of higher than expected electric vehicle adoption rates.



**Figure 13: Chemical Grade Spodumene FOB Australia**

Demand led by the EV market is now forecasting a structural deficit of lithium supply. Industry analysts expects significant battery shortages in 2023 and beyond. UBS forecasts overall lithium demand to lift 11-fold from ~400kt in 2021 through to 2030. The EU estimates that to meet its climate neutrality goal, it will need up to 18 times more lithium and five times more cobalt in 2030. The forecasts rise to 60 times more lithium and 15 times more cobalt by 2050. The deficit starting after 2022, as can be seen by [Figure 14](#) below:



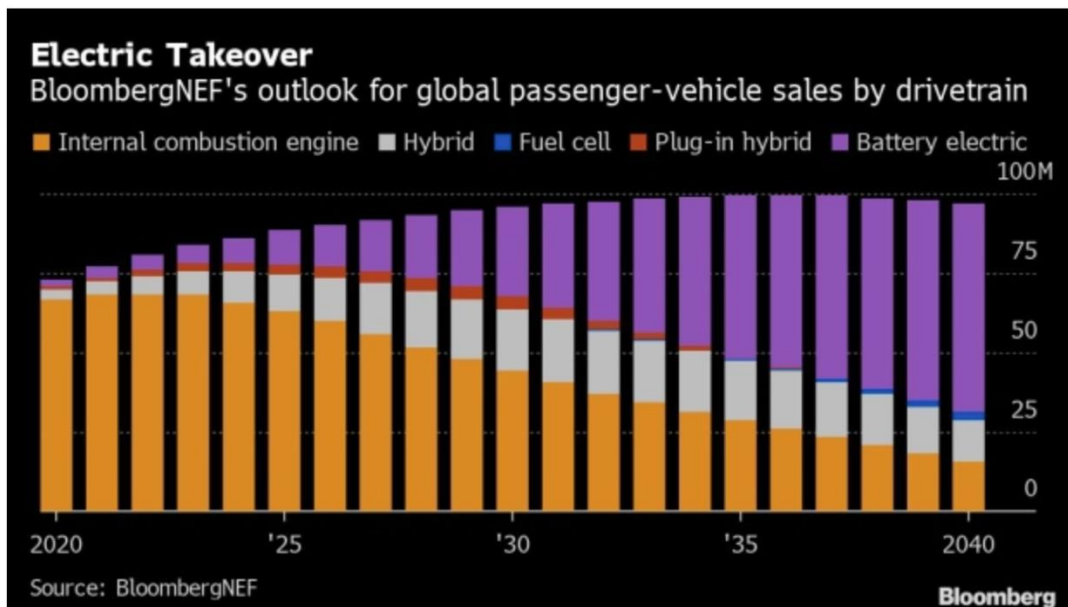
*Lithium Market Balance (tonnes LCE) Showing Structural Deficits from 2023 Onwards (Benchmark)*

**Figure 14: Lithium Market Balance**

**Carmakers desperate to find reliable EV battery supply.**

Burgeoning demand from downstream battery markets, EV and otherwise, has seen cracks start to appear in the supply chain, as reports surfaced this month of a developing shortage in cylinder cells globally. The reports cited limited availability of cylindrical cells from major suppliers including LG Energy Solution and Samsung SDI. As demand from current customers scales, and those lacking sufficient supply enquire elsewhere for new product, further announcements are expected from cell manufacturers inundated with request for supply that they may struggle to meet.

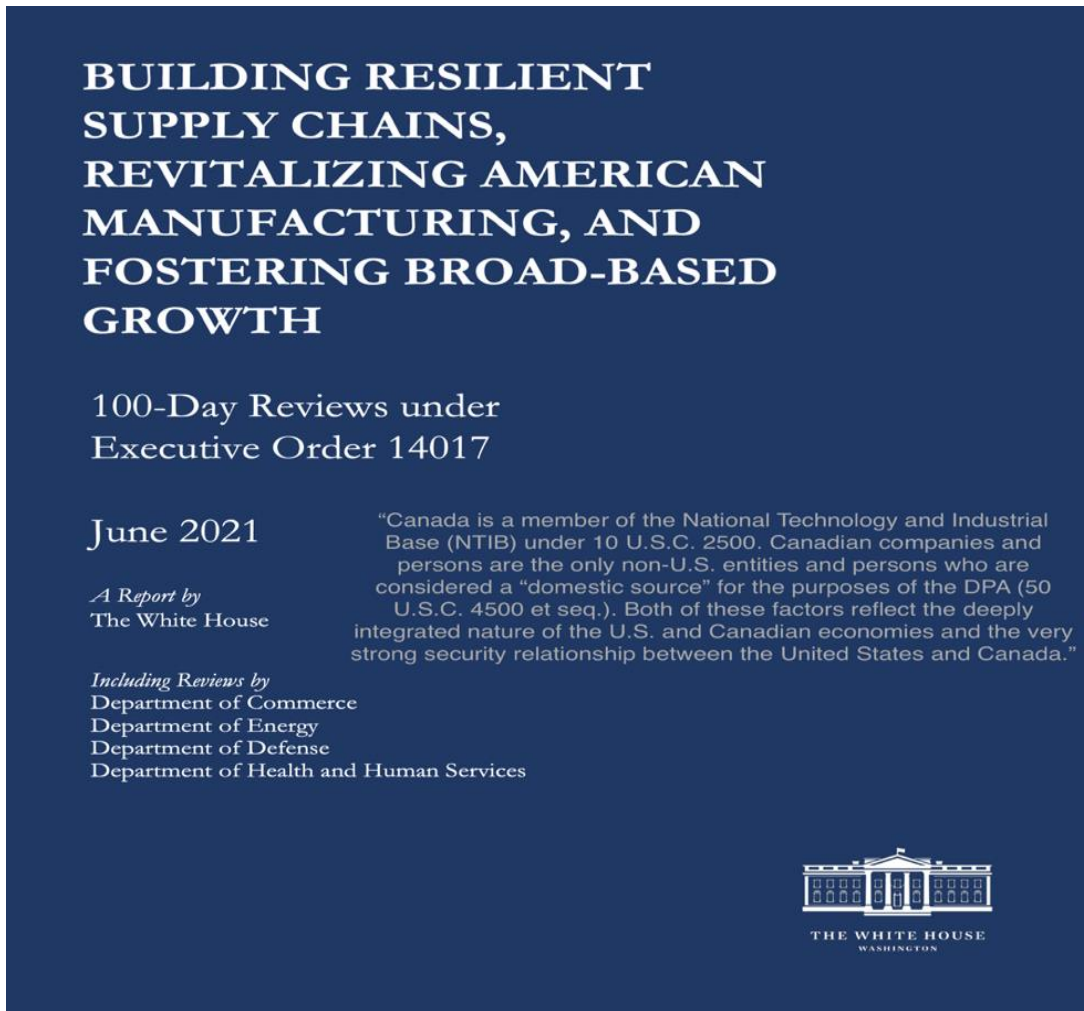
Against the backdrop of high demand and issues meeting growing orders, cell majors committed to further capacity additions in recent weeks, including CATL's largest plant to date with 120 GWh planned capacity in Fuding, Fujian. SVOLT confirmed the location of two new 20 GWh Chinese bases, and LG Chem outlined \$4.5bn of investment in the US to expand operations. Further to this, VW announced plans for a total of six 40 GWh sites in Europe by 2040. As such this saw the announced battery factory capacity increase by 7.2% to over 3.4 TWh, the largest increase since September 2020. As well as heightened investment from market participants, private and public institutions continued to increase activity in the lithium-ion supply chain following rising chemical prices in early 2021. For example, the European Union invested an additional €900m (\$1.1bn) in the Battery Alliance Project, aimed at fostering research and innovation in the European battery supply chain, as well as domestic production. Figure 15 is a Bloomberg forecast showing the changing trend from internal combustion engine to battery-powered vehicles 2020 to 2040



**Figure 15: Forecast for Global Passenger Vehicle Sales by Drivetrain (2020-2040)**

## ***U.S. looks to Canada for minerals to build electric vehicles***

As outlined by the Biden administration and released the findings of its 100-day review of U.S. supply chain vulnerabilities mandated under President Biden's Executive Order issued in late February 2021. The 250-page report that had been tasked with assessing supply chain vulnerabilities in critical sectors including Critical minerals and materials ([Figure 16](#)).



**Figure 16: Building Resilient Supply Chains, Revitalizing Manufacturing and Fostering Broad-based Growth**

The report includes wide-ranging recommendations to strengthen the resilience of supply chains in these areas, including investing in domestic production and innovation capabilities, leveraging the government's role as a purchaser of critical goods, and working with allies and partners to decrease vulnerabilities in global supply chains. According to the White House, Canada is considered as "domestic source" for the purposes of this document.

On March 19, 2021, the company announced that it has qualified to trade on the OTCQX® Best Market. Frontier Lithium upgraded to OTCQX from the OTCQB® Venture Market. Frontier trades on OTCQX under the symbol

"LITOF." This upgrade will raise the Company's profile within the U.S. investment community and expected to increase liquidity and broaden the investor base. Supply from high grade hard rock pegmatites is filling the increased market supply as a means of diversification from the brines of South America as they have seen little growth since 2006. With the changes in the electric vehicle adoption and global governments committing to carbon neutrality goals the equity market is beginning to trend similar to 2016-2018 market conditions and likely to be sustained for the medium to long term.

## VIII. BASIS OF PREPARATION:

### STATEMENT OF COMPLIANCE:

The financial statements for the twelve-month period ended March 31, 2021 have been prepared in accordance with IFRS.

The accounting policies applied in these financial statements are based on IFRS issued and in effect as at March 31, 2021. On July 27, 2021, the Board of Directors approved for filing on SEDAR the fourth quarter financial statements.

### BASIS OF MEASUREMENT:

The fourth quarter financial statements have been prepared on the historical cost basis, except for investment which are recorded at fair value.

The fourth quarter financial statements have been prepared on a going concern basis, meaning the Corporation would be able to realize its assets and discharge its liabilities in the normal course of operations.

### FUNCTIONAL AND PRESENTATION CURRENCY:

The fourth quarter financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

### USE OF ESTIMATES AND JUDGMENTS:

The preparation of the fourth quarter financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 1 - the determination that the Corporation is in the exploration and development of mining properties; in Note 2 – capitalized cost and recoverability of property, plant and equipment.

## IX. SIGNIFICANT ACCOUNTING POLICIES:

The preparation of the fourth quarter financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that effect amounts reported in the audited financial statement and notes. There is full disclosure of the Corporation's significant accounting policies and accounting estimates in Note 2 of the fourth quarter financial statements for the twelve-months ended March 31, 2021, and 2020.

## X. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

### OFF BALANCE SHEET AGREEMENTS

The Corporation has not concluded any off-balance sheet agreements.

### RELATED PARTY TRANSACTIONS

During the twelve-months ended March 31, 2021 and 2020 the Company incurred the following expenditures with companies controlled by a director of the company and a company controlled by an officer of the company (Table 12).

**Table 12: Expenditures with Companies controlled by a Director and an Officer of the Company**

Description	March 31, 2021	March 31, 2020
Office rental (paid to companies controlled by corporate director)	\$ 9,000	\$ 9,000
Consulting	\$ 250,000	\$ 250,000

The transactions above are in the normal course of operation and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The Corporation had the following significant commitments as at the date of this report:

- A) In late March of 1999, the Corporation entered into an option agreement to earn a 100% interest in one mining claim included in the PAK property. Upon complying with the terms of the agreement, the Corporation exercised the option and acquired 100% interest in the claim. The vendor kept a 2.5% Net Smelter Return ("NSR") royalty on the mining claim and for an amount of \$1,000,000, 1% of this royalty could be purchased once the Corporation has officially declared it is in commercial production. In 2017 the claim was converted to mining lease (ML) 109669. The PAK deposit as currently known is located on this lease. In early April of 2021, the Corporation announced the acquisition of the 2.5% NSR for consideration of \$4,000,000 in cash and 1,000,000 common shares of the Company at a price of \$1.00 per share.
- B) In early December of 2010, the Corporation entered into an agreement with two private individuals to acquire 100% of three mining claims collectively called the Pakeagama south-east. In 2015 the Corporation completed the earn-in and now owns the claims 100%. The vendors kept a 2.5% NSR royalty on the mining claims. For an amount of \$1,500,000, 1.5% of this royalty may be purchased once the Corporation has officially declared it is in commercial production.
- C) During 2018 Frontier entered into an agreement with a private individual with regards to a parcel of 35 claims cells totalling 684 hectares in the Favourable Lake area along the "Electric Avenue" on the north-western limits of the PAK Lithium Project. Another agreement was reached with another private individual to acquire 2 mining claim groups totalling 176 ha in the same area. Frontier now owns 100% of both sets of claims and are contiguous with the PAK Project claims. Both individuals each have a 1.5% and a 0.5% Net Smelter Royalty (NSR) on their respective properties acquired by the Corporation.
- D) The Corporation entered into private agreements with four First Nation Communities that neighbour the project properties for the purpose of ongoing exploration and development (including advanced exploration). Obligations to date have been accrued.

## RISK EXPOSURE AND MANAGEMENT

The Corporation is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objective of the Corporation's risk management processes is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. Risks include metal price fluctuations and the low success rate for the discovery of new deposits. Industry competition and lack of funding may also limit opportunities. Future political, regulatory and environmental changes could affect any aspect of the Corporation's business including property title, taxation, aboriginal issues and environmental protection. More detail of the principal risks to which the Corporation is exposed to are described below:

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### MARKET, INTEREST AND CURRENCY RISK:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Corporation strategically operates in Canada in order to reduce sovereign and foreign exchange risks amongst. Management therefore believes at the current status of exploration and development the current risk management policy is adequate.

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### CREDIT RISK:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the group. Credit risk arises from cash and cash equivalents with banks and financial institutions as well as credit exposures to outstanding receivables.

It is management's opinion that the Corporation is not exposed to significant credit risk arising from these financial instruments.

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### LIQUIDITY RISK AND CASH RESTRICTIONS:

The Corporation has no history of profitable operations and its present business is exploration and development resulting in pre cash-flow. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its exploration and development stage of operations.

The Corporation has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Corporation has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be

favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

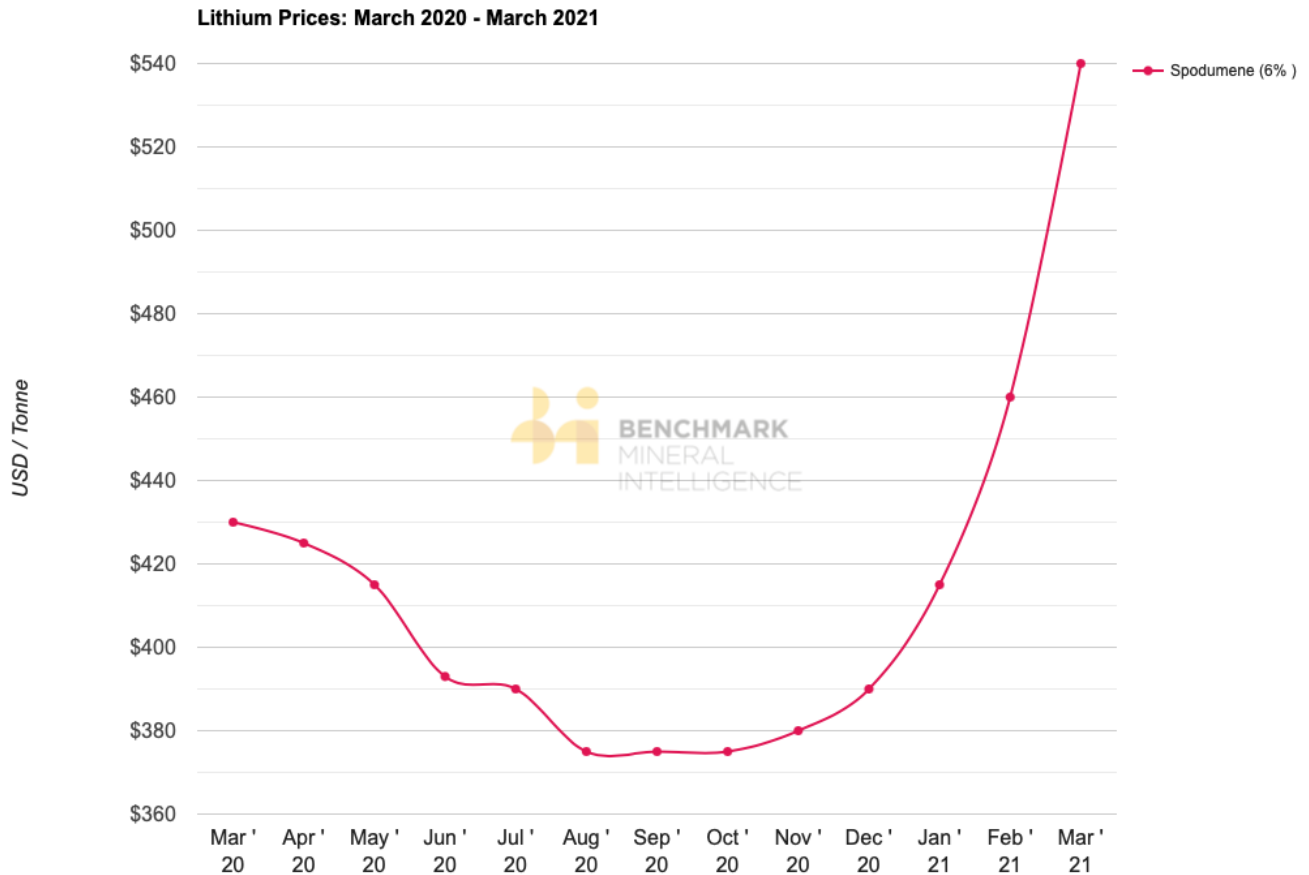
However, the Corporation believes that there is sufficient cash and other short-term assets readily convertible into cash in order to meet its liabilities when they come due. The Corporation's cash is held in business accounts with a Canadian bank. Management believes that liquidity risk is moderate. The Corporation manages liquidity risk through the management of its capital structure and continuously monitors actual and projected cash flows.

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#### LITHIUM PRICE RISK:

The Corporation is subject to lithium price risk from fluctuations in the market prices for lithium salts and spodumene concentrates. The risk is compounded by the fact that lithium contracts are private, therefore there is a relative opaqueness to the market in general which may cause increased levels of price pressures to the Corporation's stock price. Price risks are affected by many factors that are outside of the Corporation's control, including but not limited to, global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of technical grade spodumene concentrate substitutes by lithium compounds, lithium compound substitutes, inflation, political and economic conditions. [Figure 17](#) below displays price pressures since March 2020 and recent rise in on chemical grade spodumene concentrate (CG\_SC6.0) freight-on-board ("FOB") Australia. The price decrease in feedstock to conversion plants in China have attributed to approximately 50% reduction in the lithium equity market since March 2018. Despite having the rare technical grade spodumene from the PAK deposit, the Corporation's stock performance has not been insulated from declining feedstock prices in Australia and rates this risk moderate to high. Management believes that vertically integrated business model with a mine, mill and chemical plant development in North America could reduce this risk by differentiating the Corporation's high quality assets to the lower quality Australian feedstock supplying Chinese chemical plants in the future.





**Figure 17: Spodumene (6.0%) Prices from March 2020 to March 2021**

## CAPITAL MANAGEMENT:

All of the Corporation's properties are 100% owned with minimal holding costs. The Corporation's current rate of cash consumption, excluding expenditures on work programs or cost associated with financing is approximately \$80,000 per month.

The Corporation's capital management objective is to have sufficient capital to be able to pursue its activities in order to ensure the growth of its assets, finance the investing activities and its working capital requirements.

In order to maintain or adjust the capital structure, the Corporation may issue new capital instruments, obtain debt financing and acquire or sell mining properties or other assets, to improve its financial performance and flexibility.

The access to financing depends on the economic situation and state of the equity and credit markets.

## PROPERTY TITLES

The Property encompasses 26,774 hectares in total, is 100% owned by Frontier and there are no co-proponents or partners for the Project up to the date of this report. According to the Mining Act and regulations of the Province of Ontario, to renew its claims, the Corporation must incur a minimum of exploration expenditures on an annual basis. As at the date of this report, all claims are in good standing and the Corporation has approx. \$2.0M in assessment credits from the Ministry of Energy, Northern Development and Mines (MENDM) that can be used to renew its claims on the PAK property. Currently, the Corporation maintains 1,378 mining claims and Mining claim KRL-1232241 was converted to Mining Lease KL-109669 in 2017. A letter of intent to convert 108 mining claim cells to a mining lease was submitted to MENDM in April 2018 and an additional 11 mining claim cells in November 2018 to encompass the Spark Pegmatite. This process is anticipated to be completed in calendar year 2021.

## XI. RISK FACTORS RELATED TO THE CORPORATION

### CONDITIONS OF THE INDUSTRY IN GENERAL

The exploration and development of mineral resources, including construction, start-up and operation of a mine and the construction, start-up and operation of a mill (concentrator plant), involves significant risks that even an allied neat evaluation with experience and know-how cannot avoid. Although the discovery of a deposit can prove extremely lucrative, few properties where exploration and development work are carried out become producing mines thereafter. Important expenditures are necessary to establish ore reserves, to work out the representative metallurgical processes and to build the mining plant on a particular site. It is impossible to provide assurance to the effect that the current state of the project contemplated by the Corporation will generate a profit. The mineral industry is intensely competitive in all its phases. The Corporation competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The mining activities comprise a high level of risk. The activities of the Corporation are subject to all the dangers and the risks usually dependent on the exploration and the development, including the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

### GOVERNMENTAL REGULATION

The activities of the Corporation are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines and transformation plants, toxic substances, the protection of the environment and others. The development is

subject to legislative measures and laws with the federal, provincial and local levels relating to the protection of the environment. These laws impose high standards on the mining industry and on the chemicals industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities; extraction and of treatment and which are later on deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

## RISKS OF LAWSUITS AND NON-INSURABLE RISKS

The Corporation could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, given the high cost of the premiums or for other reasons. The payment of sums in this respect could involve the loss of the assets of the Corporation.

## CONFLICTS OF INTEREST

Some of the directors and officers of the Corporation are engaged as directors or officers of other Corporation's involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. Any decision taken by these directors and officers and involving the Corporation will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Corporation and these other corporations. Moreover, these directors and officers will declare their interests and will abstain to vote on any question which could give place to a conflict of interest.

## PERMITS, LICENCES AND AUTHORIZATIONS

The activities of the Corporation require obtaining on a timely manner and maintaining permits and licenses from various governmental authorities. The Corporation considers that it holds all the permits and licenses required for the activities it currently explores on, in accordance with the relevant laws and by-laws. Changes brought to the laws and regulations could affect these permits and licenses. Nothing guarantees that the Corporation can obtain all the permits and all the necessary licenses in order to continue its exploration activities, to build mines or mining plants and to begin mining operations on its property. At present the Corporation has approved Exploration Permit # PR-18-000258 authorizing activities of mechanized drilling, mechanical stripping and pitting and trenching in the general vicinity of the Spark deposit. The duration of the permit is from January 30, 2019 until January 30, 2022. Terms of the permit require that surface stripping shall not exceed an area of 10,000 m<sup>2</sup> or a volume of 10,000 m<sup>3</sup>.

## DEPENDENCE ON THE MANAGEMENT

The Corporation is dependent towards certain persons of its management. The loss of their services could have an unfavorable impact on the Corporation. Management maintains a strong equity position in the Corporation, therefore considers this risk to be low.

## PRICE OF LITHIUM SALTS AND SPODUMENE CONCENTRATE

The price of the common shares, financial results of the Corporation, its activities could undergo in the future important negative effects because of the fall of the prices of the lithium concentrates and compounds, resulting in an impact on the capacity of the Corporation to finance its activities and impact its results. The prices of lithium concentrates and compounds may fluctuate in an important way and are tributary to various factors which are independent of the will of the Corporation, such as the sale or the purchase of lithium compounds by various brokers, the rates of interest, foreign exchange rates, the rates of inflation or deflation, the fluctuations in the value of the Canadian dollar and other currencies, the regional and world offer and demand, the economic conjuncture and policy which prevails in the countries of the world which are large lithium compounds producers.

## GOING CONCERN AND INSOLVENCY RISK

The Corporation's financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. The Corporation does not currently have guaranteed sources of funding or cash flows and the inability to successfully generate revenues from operations cast significant doubt as to the appropriateness of the going concern assumption.

## THE CORPORATION'S DEPENDENCE UPON THE ADVANCED EXPLORATION PROJECT (PHASE I DEMONSTRATION CONCENTRATOR)

The Corporation expects future potential development of the Phase I Advanced Exploration program plans at the PAK deposit will help determine the Corporation's future possible ore material and production capabilities in a Commercial Operation unless additional sources of spodumene sources are acquired or discovered on the PAK project and/or permitted to supply and brought into production. Any adverse conditions affecting potential spodumene concentrates production from the planned Phase I development program at the PAK deposit could be expected to have a material adverse effect on the Corporation's financial performance, results of operations and prospects and will require the Corporation to raise additional financing, which may not be obtainable under such circumstances. While the Pre-Feasibility Technical Report demonstrates the potential economic feasibility of a potential Commercial Project, the inability to achieve commercial operations on a basis that is economically viable will have a material adverse effect on the Corporation.

## INFRASTRUCTURE, SUPPLIES, INFLATION AND OPERATION COSTS

The PAK Lithium Project is located 175 km north of Red Lake, Ontario in the Red Lake Mining District and is situated on Crown Land. The centre of the Project is located on National Topographic System map sheet reference is 53C/11 at approximately 52°36'N latitude and 93°23'W longitude near Pakeagama Lake. Access to the Property is available year-round by chartered ski or float equipped aircraft from Red Lake. The project is located in a relatively isolated area of north-western Ontario where infrastructure consists of a winter road, which services the First Nation communities of Deer Lake (40km west of the project), Sandy Lake (50km north), and North Spirit Lake (30km east). The winter road runs over the mining claims on the west side of the project with

vehicular access to the Property during winter months of February and March. Bearskin Airways, Wasaya Air and Superior Air services the nearby First Nation communities of Deer Lake, North Spirit Lake, and Sandy Lake with daily flights year-round. Currently, access to the property occurs from May 15 (after break-up) to October 15 (5 months) via float plane, and from February 1st to March 15 (1.5 months) via the winter road.

## NO CURRENT PLANS TO PAY CASH DIVIDENDS

The Corporation has no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Corporation's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Corporation's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Corporation or its subsidiaries incur. As a result, investors may not receive any return on an investment in the Corporation's securities unless they sell the securities for a price greater than that which they paid for them.

## DILUTION

Additional financing needed to continue funding the development and operation of the Corporation may require the issuance of additional securities of the Corporation. The issuance of additional securities and the exercise of common share purchase warrants, options and other convertible securities will result in dilution of the equity interests of any persons who are or may become holders of common shares.

## XII. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As a publicly listed entity, management must take steps to ensure that material information regarding the reports filed or submitted under securities legislation fairly presents the financial information. Responsibility for this resides with management, including the President and Chief Executive Officer and the acting Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating the design of disclosure controls and procedures, as well as internal control over financial reporting.

### DISCLOSURE CONTROLS AND PROCEDURES (DC&P)

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Corporation and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

## INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

During the period from April 1, 2020 to March 31, 2021, no changes were made to the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

In designing of DC&P and ICFR, the Corporation recognizes that any controls and procedures, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Frontier's general and administrative expenses and mineral property costs is provided in the Company's audited statement of operations, comprehensive loss, and deficit contained in its audited financial statements for the year ended March 31, 2021.

### **FRONTIER LITHIUM INC.**

Trevor R. Walker

President & CEO

March 31, 2021