



**FRONTIER LITHIUM INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE THREE-MONTHS ENDED**

**JUNE 30, 2019**

|   |           |
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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 situation. The MD&A explains the financial situation and the results for the three-month period ended June 30, 2019 and 2018 and the comparison of the Corporation’s consolidated condensed interim statement of financial position as at March 31, 2019 and March 31, 2018.

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, 2019 and the audited consolidated financial statements of the Corporation for the fiscal year ended March 31, 2018 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”), also referred to as Generally Accepted Accounting Principles (“GAAP”), 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 28, 2019. 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 Company”) is a mineral exploration company focused on the acquisition, exploration and development of rare-metal resource properties in North America. The Corporation is domiciled in Canada and incorporated under the Canada Business Corporations Act. The Corporation’s registered office is located at 2736 Belisle Drive, Greater Sudbury, Ontario (P3N 1B3). The company 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 (“OTC”) – Grey Market | <a href="#">HLKMF</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

Frontier Lithium is a Canadian junior mining company headquartered in Sudbury, Ontario. The company 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. Chief among these known occurrences is the PAK lithium deposit, located at the southwestern end of the Electric Avenue on the Company's PAK Lithium Project (Figure 1).

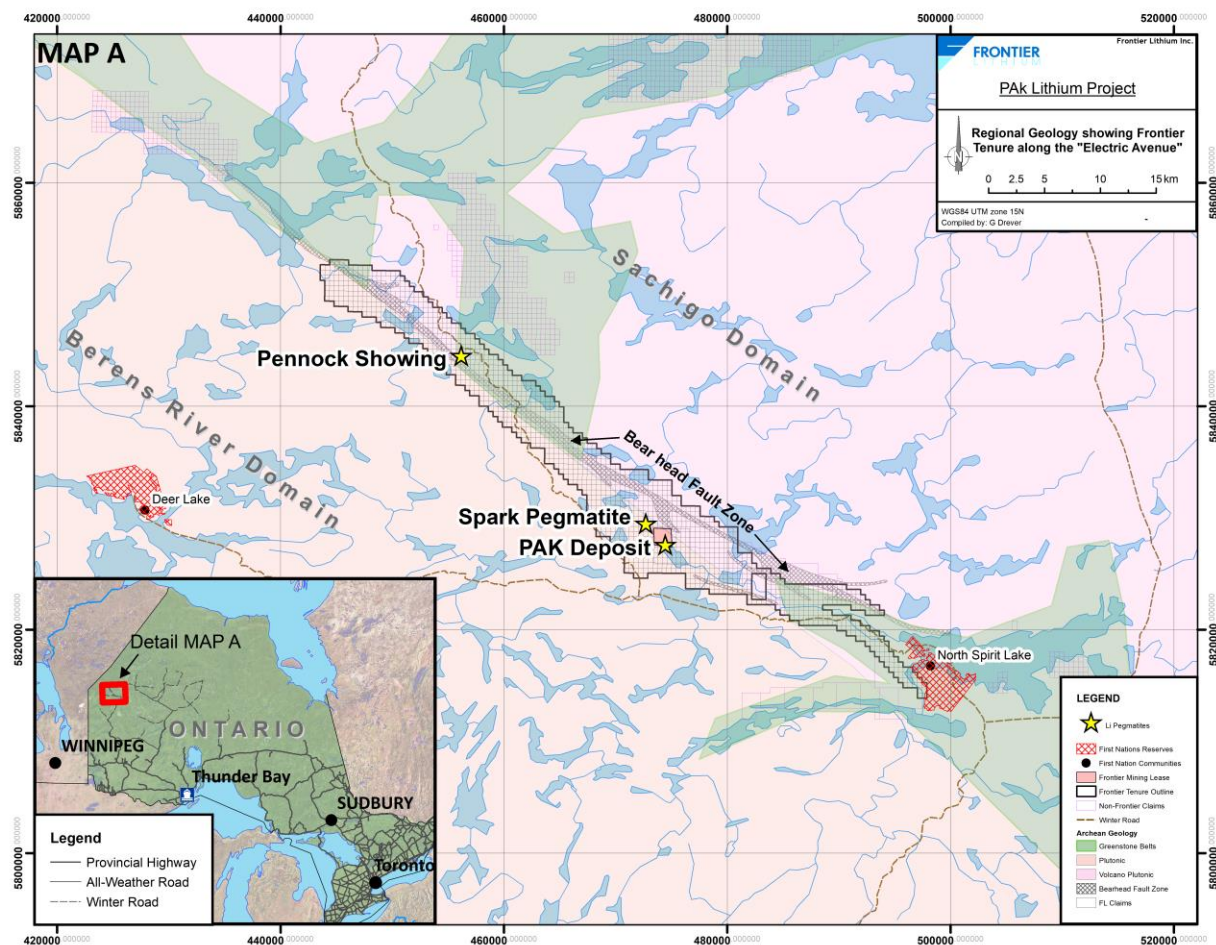


Figure 1: Project Location

## CORPORATION OVERVIEW

The Corporation's goal is to profitably produce lithium products for industrial users and participate in a fully integrated North American Battery Ecosystem driven by electric vehicles, mobile phones, and stationary energy storage. Frontier Lithium's objective is to firstly become a near term producer of premium technical grade lithium mineral concentrates by producing 2,000 tonnes of Lithium Carbonate Equivalent ("LCE") for glass producers. Through a phased approach the Corporation plans to scale up to 25,000 tonnes by 2025 through ramping up production of concentrates and building a downstream processing facility to produce lithium chemicals required by glass and battery materials producers.

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).



**Figure 2: PAK deposit at surface**



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. The Phase I development plan is an “Advanced Exploration Program” to construct and commence operation of a Demonstration Concentrator Plant by mid-2021 to confirm the Project’s ability to prove suitable lithium products for users and its economic viability. The Corporation is currently in the engineering, planning and permitting stages of the development program.

The demonstration plant is expected to have a capacity to produce up to 15,000 tonnes of lithium concentrate (mineral spodumene and approximately 2,000 LCE) per year from a representative surface sample of the PAK deposit. The PAK Deposit, a surface outcropped deposit (Figure I), naturally containing up to 4.5% lithium oxide (“Li<sub>2</sub>O”), will be processed via gravity, heavy media, flotation and magnetic processes and equipment readily available resulting in a range of spodumene concentrates from 6.0 to 7.2% Li<sub>2</sub>O.

The PAK mining property has economically recoverable ore reserves, pursuant to a NI-43-101 technical report (Pre-Feasibility Study) regarding the PAK Lithium Mine with an effective date of March 2, 2018 and filed on SEDAR on April 16, 2018 (the “2018 Pre-Feasibility Study”). The Corporation is currently in the development stage with respect to its PAK deposit and also in the exploration stage with a highly prospective lithium showing referred to as the Spark showing, located 2km up the Electric Avenue from PAK. Both the development work and exploration (together the “PAK Lithium Project”) are progressing based on the funds available to the Corporation. As at March 31, 2019, \$11.06 million of capital expenditures have been incurred on the PAK Lithium Project. Currently the company is conducting an internal scoping study with detailed engineering coupled by quotes for equipment and installation to launch Phase I Development plans. This engineering is driving the permitting, offtake discussions and project financing for the construction and operation of the Demonstration Plant.

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 THREE MONTHS ENDED JUNE 30, 2019 AND UP TO THE DATE OF THIS REPORT AND NEXT STEPS

#### EXPLORATION AND DEVELOPMENT HIGHLIGHTS:



During the fiscal year ended March 31, 2019 and up to the date of this report, exploration continued at the PAK Lithium Project. As at 31 June 30, 2019, a total of \$11.06 million in acquisition and exploration expenditures have been incurred on the project.

The Corporation had an extremely successful year by making a new discovery with minimal expenditure and announced plans to diversify the Corporation from an exploration focus with the addition of development work to transition the project towards production of premium concentrates and initial steps towards the potential to further refine lithium concentrate feedstock to produce higher purity lithium chemicals (e.g. hydroxide and carbonate).

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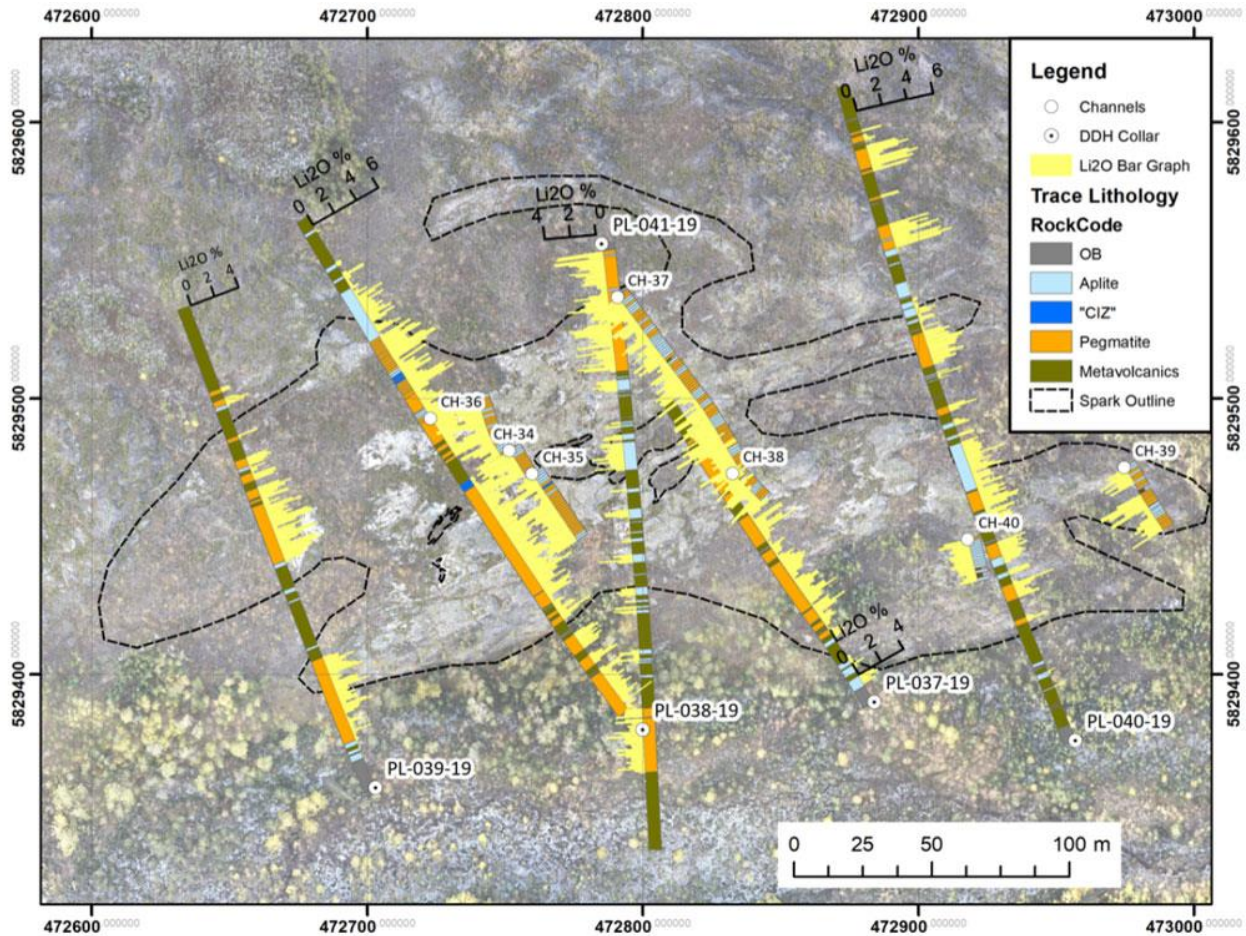
## EXPLORATION

### ***A New Discovery “the Spark”***

On November 7, 2018 the Company announced the new discovery of the Spark pegmatite on the Project. The showing is located only 2.3 km north-west of the PAK deposit that intrudes vertically into metavolcanics and mafic schists.

As a result of the Spark discovery the Company increased the land position of the PAK Lithium Project on the Electric Avenue by 180%, totalling 26,774 hectares over a 65km long strike length.

Channel sampling was initiated at the time of discovery in September 2018 and completed a month later in October. The pegmatite is well exposed where minimal stripping by hand was required to complete the channel sampling. In total 236.4m of channels were cut and represent two main transects and resulted with consistent lithium grades and homogeneity across the width of the exposed pegmatite as highlighted by 94.5m averaging 1.85% Li<sub>2</sub>O. The Company followed up on the successful program with a 1,340 metre, 5-hole Phase I diamond drill program in February (Figure 3).



**Figure 3: Surface outline of Spark channels and holes**

All holes intersected significant widths of 20 to 74m of pegmatite averaging 1.2 to 1.92% Li<sub>2</sub>O (see Figure 4 for drill core photo). The Phase 1 drilling resulted in successfully identifying a pegmatite which is characteristically similar to the PAK deposit's lower intermediate zone (LIZ). The drilling results and consistency of grades confirm our initial prediction that the Spark pegmatite is vertically emplaced and extensive. The potential for an at-surface deposit to augment the PAK project resource size is high therefore the Phase II 2019 drill program will be followed by a resource estimate on the Spark pegmatite aimed to be completed before calendar year end. The Phase II drilling commenced on July 22, 2019 whereby 3-4 holes totalling up to 1,000m will be conducted.

The Corporation's targeted near-surface resource for the Project is 15-20 million tonnes in Measured and Indicated category. Management believes that the Spark discovery combined with the PAK deposit will make this target achievable whereby the project will be considered "World-Class". The targeted size of resource would allow for Frontier's objective of producing 25,000 tonnes LCE for an estimated 15 or more years.





**Figure 4: Spark pegmatite intersection hosting approx. 20% spodumene mineralization**

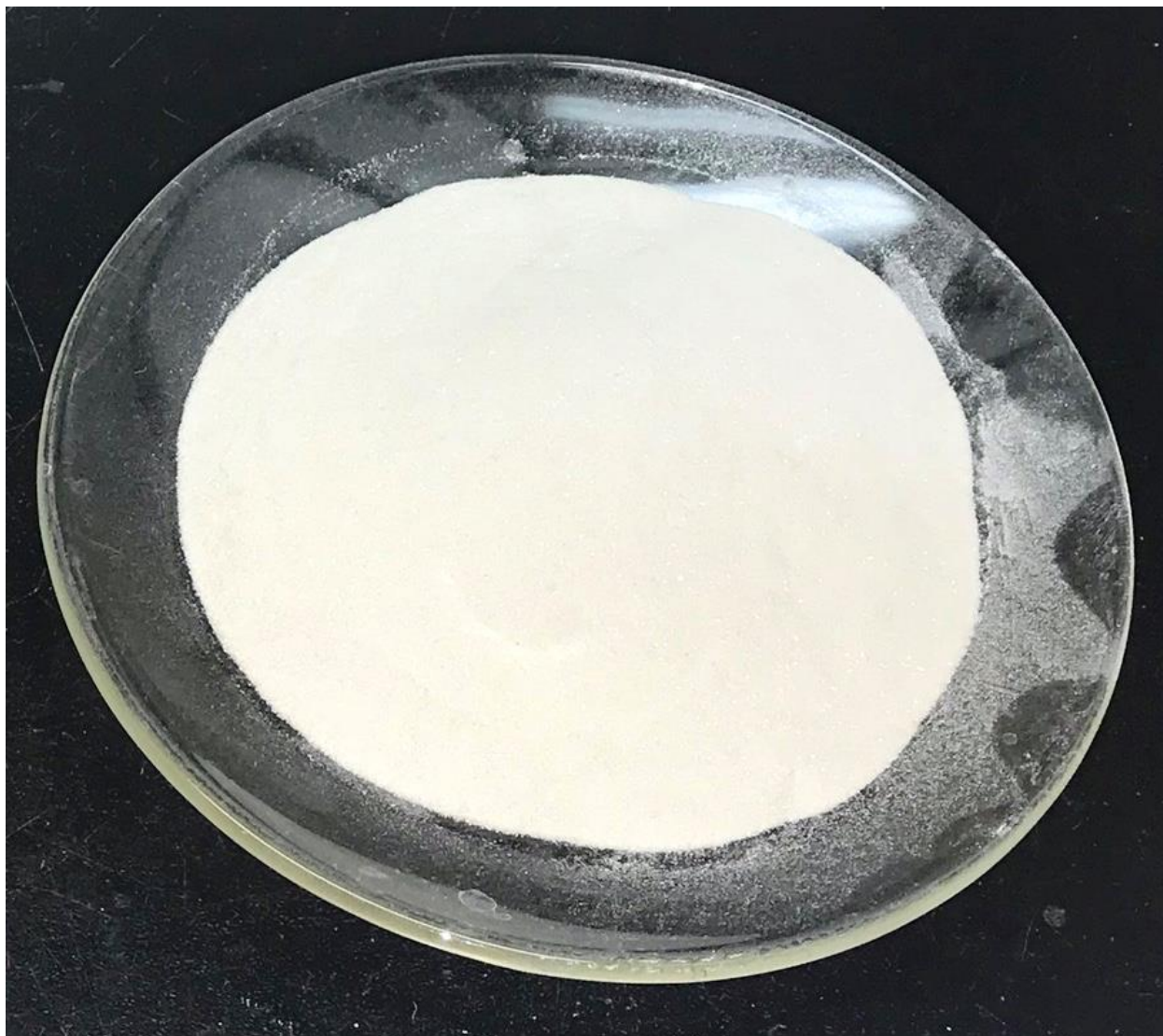
Once the drilling is complete and analysis confirmed the Company plans on performing a geostatistical analysis to produce representative samples from the Spark discover in order to commence metallurgical testwork. The primary objective from management is to determine whether material from the showing has the potential to produce technical grade concentrates like that of the PAK Deposit. This type of information is key to building a sustainable plan for a future Phase II Commercial scale mining operation.

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## DEVELOPMENT

***Phase I Demonstration Concentrator to produce “quality feedstock” and serve as Feasibility for scaled Phase II Commercial Operations.***

In April 2019 the Company announced a plan to build a demonstration concentrator plant at the PAK Project to produce multiple lithium feedstock products for both industrial and battery markets (Figure 5).



**Figure 5: Frontier Technical Grade Spodumene sample containing 7.13% Lithium oxide and .15% iron oxide**

Construction of the plant will commence in the next 12-20 months providing related permits and financing are confirmed.

The key goals of the Demonstration Plant are to:

- Commence construction by March 2021;
- Produce high-quality technical grade concentrates (7.2%  $\text{Li}_2\text{O}$ ) for the expanding glass and ceramics markets;

- Produce high-quality chemical grade concentrates (6% Li<sub>2</sub>O) for the rapidly developing lithium battery market;
- Qualify products that meet specific customer and application requirements to secure North American and European off-take agreements;
- Validate and optimize the mining and milling technology and flow-sheet design in advance of finalizing the Phase II Commercial Production feasibility study; and
- Serve as a training facility for the local workforce to maximize local benefits of the future mining and milling operations;

The spodumene concentrates will be produced at site from the PAK Deposit. This plant, once in operation, will process spodumene ore to produce high quality concentrates using simple open pit mining and conventional processing operations. Currently, approximately 90% of low-iron technical grades concentrates for the top-tier glass makers are supplied by one mine, providing a niche opportunity for Frontier.

The PAK deposit is located on the other side of the globe from the world-class operating Greenbushes' deposit in Western Australia which has dominated global hard rock supply for years (approximately 30% of the world's demand for lithium). The demonstration plant will enable the Corporation to reach out to customers and offer a high quality, reliable, long term and cost effective North American alternative. Our phased approach provides certainty and aligns optimal timing for Frontier and customers in the industrial and battery applications in this fast growing and tightly controlled lithium market.

***Strategic Partnership to Pilot Technology to “refine feedstock to produce lithium chemicals”.***

The Company has identified specific technology and markets of interest for lithium compounds produced from the transformation of spodumene concentrate and has identified that high-quality feedstock and subsequent lithium salts will demand a premium. The Great Lakes region is identified by the Company to become a critical North American supply chain hub for electric vehicle market, whereby Frontier is ideally situated.

On April 24<sup>th</sup>, 2019 the Company entered into a strategic partnership agreement with XPS Expert Process Solutions (“XPS”) a Glencore company, and Dr. Ahmad Ghahreman, a Queen’s University Professor, to develop a process to refine spodumene concentrate into lithium hydroxide (see Figure 6).





**Figure 6: Sample of Lithium Hydroxide Monohydrate salt containing 35.6% lithium oxide**

The partnership reflects Frontier's commitment to lay the foundation for a regional, vertically integrated Battery Ecosystem energizing Ontario's drive to prosperity. The joint project will be conducted in Canada and has commenced with a Phase I bench-scale study that includes single stage dense media separation (DMS), flotation, pyrometallurgy and hydrometallurgy. Phase I is evaluating the potential purity and recovery of lithium from representative concentrates generated firstly by the PAK Deposit to ultimately improve commercial understanding and provide data for generation of a continuous pilot process. The test work is expected to conclude by the end of calendar 2019.

Leveraging expertise through partnerships echoes Frontier's approach to foster research and sustainable innovation. The Company believes that this alliance 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. Frontier is targeting the manufacturing potential of Ontario and Michigan as the greatest potential use of lithium compounds possibly produced in the future by the Corporation.

## IV. MINING PROPERTY, 2018 PRE-FEASIBILITY STUDY (PFS), MINERAL RESOURCES AND MINERAL RESERVES

At the date of this report, the Corporation owns 100% of the PAK Lithium mining property consisting of one mining lease and 1,378 contiguous mining claim units totalling 26,774 hectares, whereby the PAK deposit is contained (Figure 1).

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 and is currently in its ninth (9<sup>th</sup>) phase of diamond drilling and is serviced by a temporary 20-person camp.

On April 16, 2018 the Corporation filed a NI 43-101 Technical Report entitled Preliminary Feasibility Study for the PAK Lithium Project, Red Lake Mining District, Ontario, Canada. Of note, the PFS was performed with the controlling factor being infrastructure limitations of the 150km of winter road only access and diesel power generation to assess the viability of a mining and milling operation to produce high quality spodumene concentrates (mostly technical grade for industrial users).

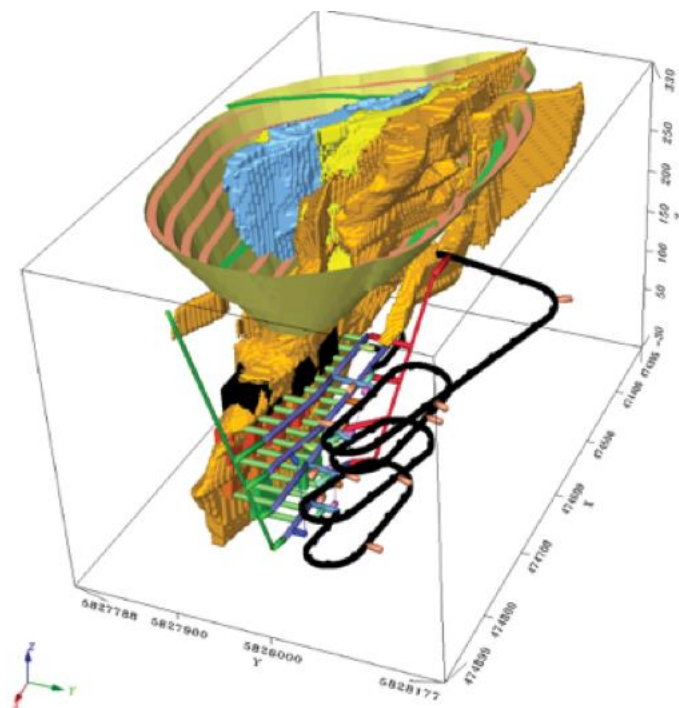


Figure 7: PFS mine design



The table below highlights selected information taken from the [Pre-Feasibility Study](#) filed on SEDAR on April 16, 2018 and should be referenced for details when reviewing the below information:

**Table 1: Pre-Feasibility 2018 highlights**

| <b>Production Profile</b>                    |                         |
|--|-------------------------|
| Total Tonnes Milled                          | 5.8 million             |
| Diluted Head Grade                           | 2.00% Li <sub>2</sub> O |
| Mine Life                                    | 16 years                |
| Daily mill commercial throughput             | 1,090 tpd               |
| Lithium Recovery                             | 78.5%                   |
| Total TG Production (7.2% Li <sub>2</sub> O) | 1.14 MT                 |
| Total CG Production (6.6% Li <sub>2</sub> O) | 115,500 tonnes          |
|  |                         |
| <b>Economic Assumptions and Parameters</b>   |                         |
| Exchange Rate (USD/CAD)                      | \$1.25                  |
| Discount Rate                                | 8%                      |
| TG_SC7.2 Price (USD)                         | \$1,250/tonne           |
| CG_SC6.6 Price (USD)                         | \$750/tonne             |
|  |                         |
| <b>Project Economics</b>                     |                         |
| <b>Pre-Tax</b>                               |                         |
| NPV (8% Discount Rate)                       | \$448 M                 |
| Internal Rate of Return                      | 46.5%                   |
| Cumulative Cash Flow                         | \$1,013 M               |
| <b>Post-Tax</b>                              |                         |
| NPV (8% Discount Rate)                       | \$301 M                 |
| Internal Rate of Return                      | 38.3%                   |
| Cumulative Cash Flow                         | \$700 M                 |
|  |                         |
| <b>Capital Requirements</b>                  |                         |
|  | <b>\$ Millions</b>      |
| Site Prep/ Infrastructure                    | 45.6                    |
| Mill Processing                              | 59.3                    |
| Power Distribution                           | 6.4                     |
| Open Pit Equipment                           | 12.9                    |
| Water treatment and waste management         | 9.5                     |
| Contingency                                  | 13.5                    |
| <b>Total Pre-production Capital Cost</b>     | <b>147.3</b>            |
| <b>Total Sustaining Capital Cost</b>         | <b>36.6</b>             |
|  |                         |
| <b>Operating Costs</b>                       |                         |
|  | <b>\$ Millions</b>      |
| Direct Open Pit Mining Cost                  | 4.06                    |
| Direct Underground Mining Cost               | 84.07                   |
| Direct Processing Cost                       | 18.01                   |

Table 2: Resource Table<sup>1</sup>

| Cut-off                    | Resource Category    | Geologic Zone                        | Tonnes (t)       | Li <sub>2</sub> O (%) | Contained Li <sub>2</sub> O (t) | LCE (t)        |
|----------------------------|----------------------|--------------------------------------|------------------|-----------------------|---------------------------------|----------------|
| 0.4% Li <sub>2</sub> O eq. | Measured             | Upper Intermediate Zone (UIZ)        | 324,720          | 3.95                  | 12,830                          | 31,690         |
|                            |                      | Lower Intermediate Zone (LIZ)        | 920,330          | 1.72                  | 15,848                          | 39,145         |
|                            |                      | <b>Total Lithium Zone</b>            | <b>1,245,050</b> | <b>2.30</b>           | <b>28,678</b>                   | <b>70,835</b>  |
|                            | Indicated            | Upper Intermediate Zone (UIZ)        | 333,200          | 3.23                  | 10,776                          | 26,617         |
|                            |                      | Lower Intermediate Zone (LIZ)        | 5,909,500        | 1.89                  | 111,690                         | 275,874        |
|                            |                      | <b>Total Lithium Zone</b>            | <b>6,242,700</b> | <b>1.96</b>           | <b>122,465</b>                  | <b>302,489</b> |
|                            | Measured + Indicated | Upper Intermediate Zone (UIZ)        | 657,920          | 3.59                  | 23,605                          | 58,304         |
|                            |                      | Lower Intermediate Zone (LIZ)        | 6,829,830        | 1.87                  | 127,538                         | 315,019        |
|                            |                      | <b>Total Lithium Zone</b>            | <b>7,487,750</b> | <b>2.02</b>           | <b>151,143</b>                  | <b>373,323</b> |
|                            | Inferred             | Upper Intermediate Zone (UIZ)        | 13,000           | 3.56                  | 463                             | 1,144          |
|                            |                      | Lower Intermediate Zone (LIZ)        | 1,819,000        | 2.09                  | 37,982                          | 93,816         |
|                            |                      | <b>Total Lithium Zone</b>            | <b>1,832,000</b> | <b>2.10</b>           | <b>38,439</b>                   | <b>94,944</b>  |
| Grand Total                |                      | Total Lithium Zone in Bulk Pegmatite | 9,319,750        | 1.82                  | 189,582                         | 468,268        |

Table 3: Reserve Table<sup>2</sup>

| Reserve Category   | Tonnes           | Li <sub>2</sub> O % | Contained Li <sub>2</sub> O (t) | LCE (t)        |
|--------------------|------------------|---------------------|---------------------------------|----------------|
| <b>Open Pit</b>    |                  |                     |                                 |                |
| Proven             | 1,190,000        | 2.39                | 28,441                          | 70,249         |
| Probable           | 2,930,000        | 1.93                | 56,549                          | 139,676        |
| <b>Sub total</b>   | <b>4,120,000</b> | <b>2.06</b>         | <b>84,872</b>                   | <b>209,634</b> |
| <b>Underground</b> |                  |                     |                                 |                |

<sup>1</sup> Mineral resources which are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are exclusive of the Measured and Indicated resources.

<sup>2</sup> Reserves' categories are compliant with Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions Standards for mineral resources in concordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects. The cut-off grade for the open pit Mineral Reserves Li<sub>2</sub>O Eq. ≥ 0.4% and the cut-off grade for the underground Mineral Reserves is Li<sub>2</sub>O ≥ 0.80%. The effective date of the Mineral Reserves estimate is April 16, 2018. Numbers are rounded to the nearest thousand.

|                      |             |             |                |                |
|----------------------|-------------|-------------|----------------|----------------|
| Probable             | 1.65        | 1.84        | 30,360         | <b>74,989</b>  |
| <b>Total (OP+UG)</b> | <b>5.77</b> | <b>2.00</b> | <b>115,400</b> | <b>285,038</b> |

The Corporation has expended to June 30, 2019 a total of \$11,057,973 in acquisition and deferred exploration costs. Reserve LCE/PAK Lithium Project acquisition/exploration costs total \$38.80/LCE CAD, a justified investment given that current battery grade carbonate pricing is approximately \$15,000 / tonne in global markets.

Lithium and market analysts consider 20 years supply of 20k tonnes LCE or 400k tonnes LCE total as being a key project metric for evaluating companies and projects globally. With PAK deposit currently at 285,038 LCE, management in early 2018 set out looking for approximately 5 million additional near surface tonnes on the PAK Lithium Project. With the discovery of the Spark pegmatite only 2km from the PAK deposit, the Corporation has deemed Spark as the most cost-effective way of sourcing an additional 114,962 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.

The current ratio of PAK deposit reserve to resource is 0.76 from the 2018 PFS, and when using that factor, approximately 151,265 LCE resource is required and therefore being targeted within 300 metres of surface on the Spark showing. Using a conservative grade of 1.35% Li<sub>2</sub>O in the bulk pegmatite and 10% contingency it is estimated that approximately 5 million tonnes of measured and indicated resource is required to meet the 20 year, 20k LCE objective. In conclusion, the above rationale has been used for the short-term exploration expenditures on the project and establish management’s goal with the maiden resource estimate of 5 - 10 million tonnes that fall under all categories (measured, indicated and inferred).

## V. SELECTED FINANCIAL INFORMATION

The following table summarizes the Corporations’ selected key financial data taken from the unaudited consolidated condensed interim financial statements of loss for the periods ended June 30, 2019 and 2018 as well as the consolidated condensed interim statement of financial position as at March 31, 2019 and June 30, 2019.

| Consolidated statements of Loss   |                           |              |
|-----------------------------------|---------------------------|--------------|
|                                   | Three-month ended June 30 |              |
| Earnings and loss                 | 2019<br>(\$)              | 2018<br>(\$) |
| Loss before income taxes          | 325,939                   | 653,344      |
| Net loss                          | 325,939                   | 653,344      |
| Loss per share, basic and diluted | \$(0.001)                 | \$(0.001)    |

| Consolidated statements of Financial Position |                       |                        |
|---|-----------------------|------------------------|
|   | Period ended          |                        |
|   | June 30, 2019<br>(\$) | March 31, 2019<br>(\$) |
| Cash and cash equivalents                     | 1,135,006             | 659,791                |
| Restricted cash (flow-through expenditures)   | 707,366               | 90,101                 |
| Working capital <sup>3</sup>                  | 1,532,714             | 243,198                |
| Total assets                                  | 13,300,288            | 11,926,385             |
| Total liabilities                             | 491,918               | 702,157                |
| Shareholder's Equity                          | 12,808,370            | 11,224,228             |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

As at June 30, 2019, total current assets of the Corporation were \$2,024,632, an increase of \$1,079,277 when compared to March 31, 2019. The increase in the total assets during the three-month period ended is mostly due to the increase in cash and cash equivalents and the increased expenditure for the year on exploration and evaluation assets of 305,796.

<sup>3</sup> This is a non-GAAP financial measure which does not have any standardized meaning prescribed by the Corporation's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. This financial measure is defined as the current assets less the current liabilities which presents the actual working capital available to the Corporation for general administrative purposes. For greater clarity, this calculation excludes the restricted cash.

## Statement of Operations, Comprehensive Loss and Deficit

For the three months ended June 30,

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>Expenses</b>  |                     |                     |
| Consulting (Notes 6)                                   | \$ 84,950           | \$ 133,426          |
| Wages and benefits                                     | 51,269              | 27,654              |
| Professional fees                                      | 38,473              | 12,574              |
| Insurance  | 5,616               | 1,584               |
| General and administrative                             | 71,104              | 72,600              |
| Telephone  | 2,559               | 3,357               |
| Office and equipment rental (Note 6)                   | 2,250               | 2,250               |
| Depreciation   | 17,738              | 9,107               |
| Bank charges and interest                              | 1,681               | 1,669               |
| Vehicle and travel                                     | 61,765              | 69,678              |
| Loss on extinguishment of debt (Note 6)                | -                   | 27,717              |
| Stock option compensation                              | -                   | 267,729             |
| Shareholder and investor relations                     | -                   | -                   |
| Currency exchange and rounding                         | 536                 | 1,023               |
|  | <b>337,941</b>      | <b>630,368</b>      |
| <b>Net loss before items below</b>                     | <b>(337,941)</b>    | <b>(630,368)</b>    |
| Realized loss on investments                           | (740)               | -                   |
| Unrealized gain (loss) on investments - FVTPL (Note 3) | (12,002)            | (22,236)            |
| <b>Net loss before income taxes</b>                    | <b>(325,939)</b>    | <b>(653,344)</b>    |
| Deferred   | -                   | -                   |
|  | <b>(325,939)</b>    | <b>(653,368)</b>    |
| Net loss and comprehensive loss for the period         |                     |                     |
| <b>Deficit, beginning of year</b>                      | <b>(23,910,492)</b> | <b>(22,267,034)</b> |
| <b>Deficit, end of year</b>                            | <b>(24,236,431)</b> | <b>(22,920,378)</b> |
| <b>Basic and diluted loss per share</b>                | <b>\$ (0.001)</b>   | <b>\$ (0.001)</b>   |
| <b>Weighted average number of shares</b>               | <b>155,185,925</b>  | <b>143,197,162</b>  |

Table 4

The results for the three-month period ended June 30, 2019 show a loss before other items and income taxes of \$325,939 (\$653,344 for the same period in the previous year) as seen in Table 4. The Corporation has no revenue from operations.

## FINANCING ACTIVITIES FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

Between April 1, 2019 and June 30, 2019:

The Corporation completed one Private Placement pursuant to which the Corporation issued 5,000,000 common shares at a price of \$0.40 per share for aggregate gross proceeds of \$2,000,000. No warrants were exercised during the period.

## INVESTING ACTIVITIES FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

During the three-month period ended June 30, 2019, a net amount of \$929,629 was used in the investing activities of the Corporation. Cash flows used for investments in property, plant and equipment were very similar in the previous year as was the investments in exploration and the evaluation assets.

## VI. SELECTED QUARTERLY DATA

Operating results for each of the last 9 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, 2019.

| Operating results as of: | Net Profit or<br>(Loss)<br>(\$) | Loss per<br>share –<br>basic<br>(\$) |
|--------------------------|---------------------------------|--------------------------------------|
| June 30, 2019            | (325,939)                       | (0.001)                              |
| <b>Year Ended 2019</b>   | <b>(1,643,458)</b>              | <b>(0.01)</b>                        |
| March 31, 2019           | (178,600)                       | (0.001)                              |
| December 31, 2018        | (463,319)                       | (0.003)                              |
| September 30, 2018       | (348,195)                       | (0.002)                              |
| June 30, 2018            | (653,344)                       | (0.001)                              |
| <b>Year Ended 2018</b>   | <b>(3,772,317)<sup>3</sup></b>  | <b>(0.03)</b>                        |

|                    |                          |          |
|--------------------|--------------------------|----------|
| March 31, 2018     | (2,083,295) <sup>2</sup> | (0.016)  |
| December 31, 2017  | (1,645,311) <sup>1</sup> | (0.011)  |
| September 30, 2017 | (28,239)                 | (0.0002) |
| June 30, 2017      | (71,950)                 | (0.001)  |

1. A significant portion of the increase relates to 2,900,000 stock options that were granted in that current period and professional fees relating to consultation across the board.
2. A significant portion of the increase relates to 3,890,000 stock options that were granted in the current period.
3. Total stock-based compensation for the year valued at \$2,790,671 using Black-Scholes models.

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

Refer to Note 7 of the consolidated financial statements as at and for the period ended June 30, 2019 for the detailed breakdown on this section.

### COMMON SHARES:

The Corporation issued 5,000,000 common shares and generated \$2,000,000 in cash and cash equivalents during the three months ended June 30, 2019 to total 157,819,397.

### OPTIONS:

At the time of this report the Corporation has 11,250,000 outstanding options at a weighted average exercise price of \$0.39. In fiscal-year 2020 there are 450,000 share purchase options at an exercise price of \$0.135 and expiring on November 11, 2019. All share purchase options can be exercised for one full common share.

### WARRANTS ISSUED TO SHAREHOLDERS:

As at June 30, 2019, the Corporation had 10,967,383 outstanding share purchase warrants with a weighted average price of \$.56 as a result of financings within the past two calendar years.

### COMPENSATION OPTIONS OR WARRANT UNITS TO BROKERS:

250,500 compensation warrants were granted with a weighted average exercise price of \$0.50 during the three-month period ending June 30, 2019.

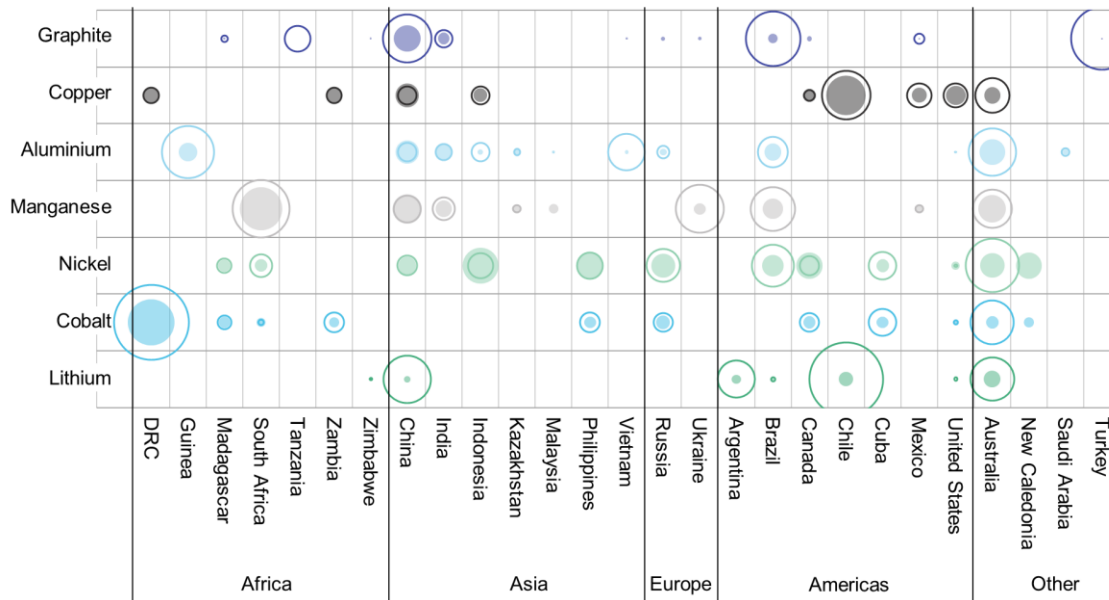


## VII. OUTLOOK:

### *The Perfect Storm?*

Recent modest strengthening of the US economy is a welcome diversion from the drumbeat of continued negative expectations for slowing global growth over the next decade, however the American and Chinese trade wars are fueling negative sentiments in the equity markets. Despite the significance of the cyclical upswing underway and Business Development Bank of Canada analyst forecasts of 1.7 percent in 2019 rebounding to 2.1 percent in 2020 the raising of capital is extremely difficult for micro-cap companies such as Frontier.

Recently the US senate has introduced a new bill to boost domestic battery minerals supply. The American Minerals Security Act listed lithium as “a critical mineral” to the auto and energy industries. In June, US President Donald Trump and Canadian Prime Minister Justin Trudeau ordered officials on both sides to develop a plan for U.S.-Canada collaboration on “critical minerals”. Geopolitical winds of change bolster support for regional supply chains and for downstream investments by private, public partnerships.



Source: BloombergNEF, USGS

Figure 5: Mined Resource Regionality

The European union has recently demonstrated this trend as a reality with the movement towards regional localization of supply chains. A good example in recent news is from Northvolt investments, partnerships and supply agreements which can be seen below in Figure 10.

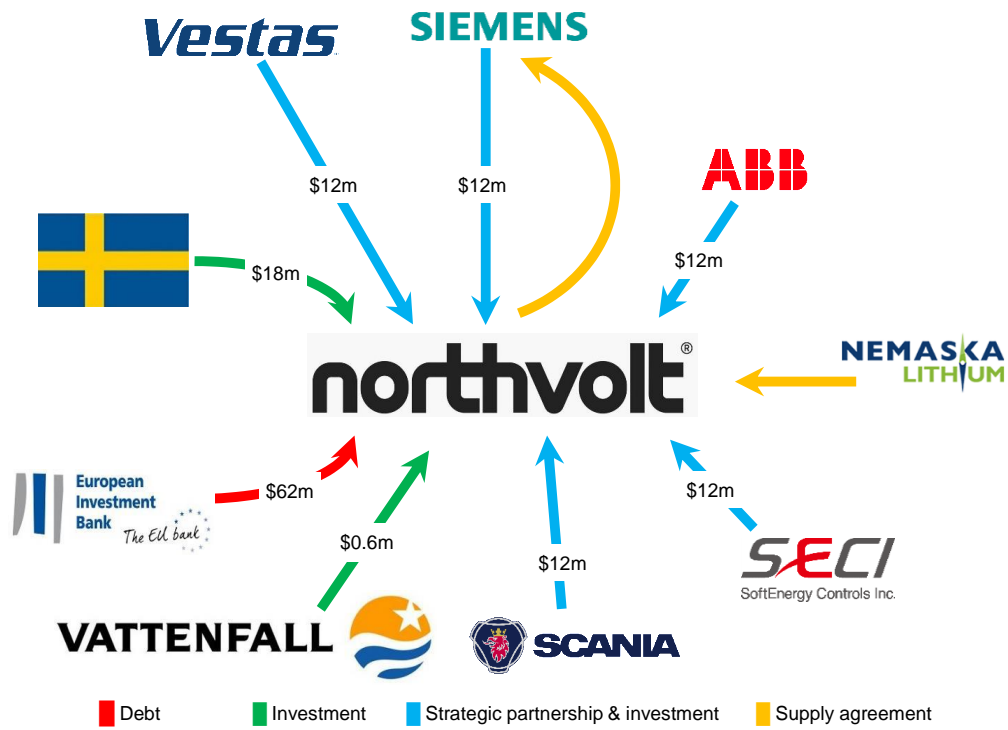


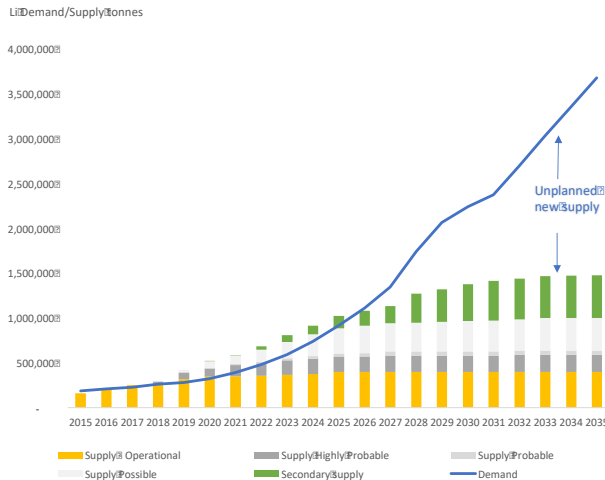
Figure 6: Northvolt Activity

The Corporation remains focused on its strategy of supplying a wide range of lithium products used in “green technology” applications through a staged approach. Firstly, spodumene helps the specialty glass and ceramics sector achieve efficiencies that reduce consumption of fossil fuels, energy costs and greenhouse gas emissions and this can only be achieved with “rare” technical-grade spodumene dominantly supplied by one mine in Australia. Further “green” uses dependent on lithium compounds required for the electrification of transportation (EV’s) and other energy storage applications remains a future second stage possibility for the Corporation.

The PAK deposit is the highest quality lithium mineral resources in North America due to its high-grade and low impurity properties. The monetary value of low-iron (Fe) spodumene is greater than the more common, higher iron spodumene as the former is desired for high quality technical grade ore or concentrates used in the manufacture of specialty glass/ceramic products such as stove tops, ceramics and heat-proof cookware. Furthermore, a low Fe spodumene is also well suited to potentially produce a high-yielding chemical-grade lithium concentrate 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.

## Lithium Market

Base-case demand for lithium demand, driven primarily by lithium-ion batteries is forecasted to grow by approximately 17.5% per year through 2030 as can be seen by Figure 11 below:



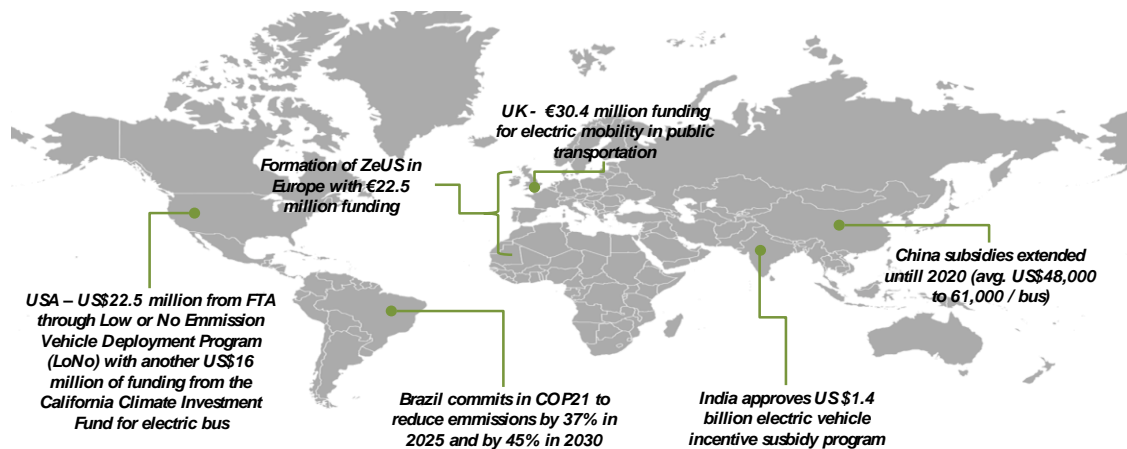
- ▶ The demand outlook for lithium is undoubted, the speed and rate of demand growth is the only question
- ▶ Entering a period of transition with new supplies beginning ahead of the roll out of megafactory capacity
- ▶ Major supply expansions still required to reach demand requirements of 2021 onwards
- ▶ The slow introduction of new projects into the market is a warning sign for a market which is only in the early stages of its growth cycle

Figure 7: Supply and Demand Forecast (Benchmark Minerals)

Battery cell costs have recently dropped below \$100 per kilo-watt-hour. Analysts believe that breaking the \$100/kWh lithium ion battery production cost barrier is a watershed moment for electric vehicles (EVs) that brings the ownership and operating costs of EVs in parity with internal combustion engine (ICE) competitors. This recent ability by incumbent cells producers is an important blueprint that the world's battery majors are now seeking to replicate and will provide demand support in the market.

Supply from low 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. The unsustainability of lithium's record high price spike was exposed in early-2018 as the industry began to feel the effects of the race to new production which had occurred in Australia's spodumene sector. By mid-2018, with four new hard rock operations set for production, spodumene had overtaken brine as the leading source of chemical feedstock production. The number of active mines had climbed from 1 in 2016 to 9 by the end of 2018. The false narrative which emerged from these expansions and spilled over into 2019 was that the industry was awash with battery-grade lithium chemicals, sufficient to support rapid electrification over coming years. While the supply response has addressed the relatively minor growth of today, it is still far from meeting the needs of tomorrow's EV expansions.

- North American supply has been a key exploration target to reduce transportation costs of concentrates/compounds as Australia now accounts from 46% of hard rock mined lithium output (controlled by China). The Corporation is continuing it's 2 prong approach of development stage activities as well as advanced and greenfield exploration work on the Electric Avenue. The objective is to identify other at surface, large tonnage, easy to access targets.
- Future end-users are being educated to recognize and understand the impacts of their consumption. This fact, in conjunction with the North American desire to reduce CO2 emissions and become less oil dependent create the foundation for the pursuit of the electrification of transportation. As the current electric and hybrid sales in the United States are a mere 0.5% of total vehicle sales, the future looks bright for lithium. Not only China is selling 3-4x more electric vehicles than the United States it is also leading the pack by battery minerals component manufacturing globally.



Source: A10 Investimentos, Global EV Outlook 2018 (OECD/IEA), Frost & Sullivan, McKinsey

- Tesla opened its Gigafactory in Nevada and remains on course for the Model 3 deliveries from mid-2017. Countries (including China, India and Germany) announced in 2017 new mandates for electric vehicle sales. The global electric car fleet exceeded 5.1 million in 2018, up by 2 million since 2017, almost doubling the unprecedented amount of new registrations in 2017. China remained the world's largest electric car market with nearly 1.1 million electric cars sold in 2018 and, with 2.3 million units, it accounted for almost half of the global electric car stock. Europe followed with 1.2 million electric cars and the United States with 1.1 million on the road by the end of 2018 and market growth of 385 000 and 361 000 electric cars from the previous year.

### **The Current State**

Bloomberg has recently quoted that producers “see that electric vehicles will take off years from now, and they want to be the dominant players in 2023, 2025, 2030. So they’ll try to build out what they believe will be the supply needed to service lithium demand years from now, and they want to get their products out there first.”

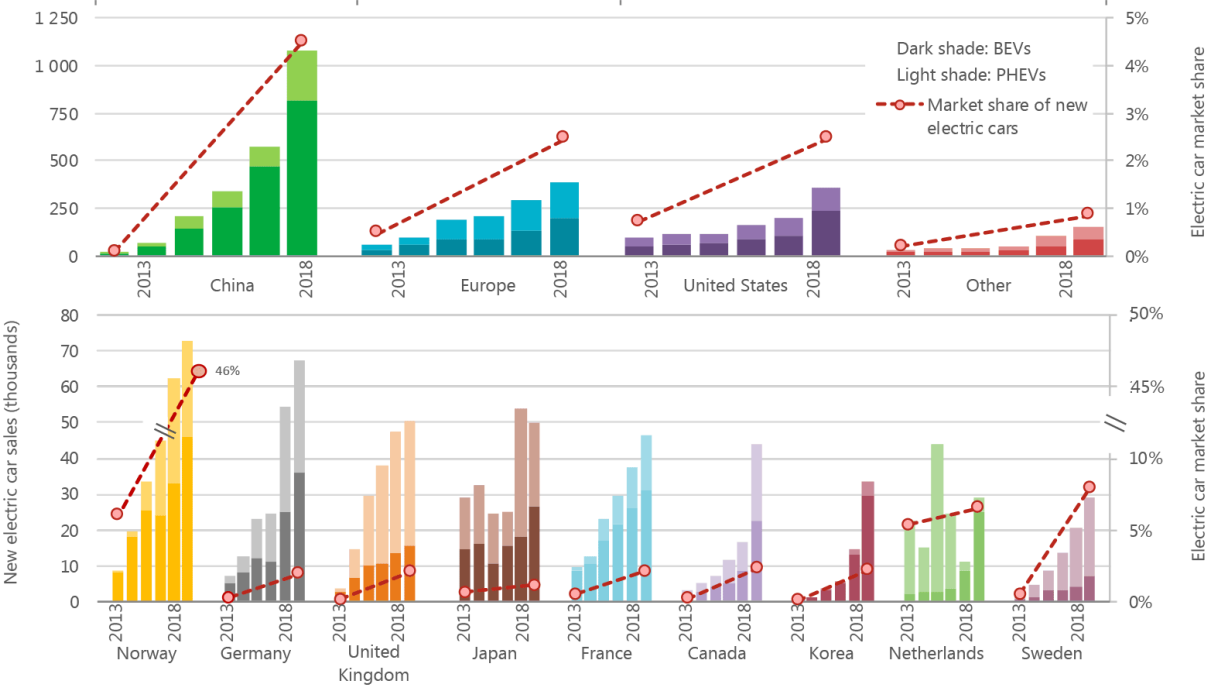
By 2025, the market for mined lithium raw material may be worth \$20 billion, compared with \$43 billion for refined products and \$424 billion for battery cells, according to a base case scenario outlined in a 2018 study published by the Australia-based Association of Mining and Exploration Companies.

By 2030, the supply of lithium-ion batteries will need to increase by more than 10-fold, BloombergNEF forecasts, with electric vehicles to accounting for more than 70% of that demand.

Morgan Stanley forecast earlier this month that lithium carbonate prices from South America would fall below the \$10,000 per ton threshold. Different forms of lithium produced in different regions will continue declining and converge between \$7,000 and \$8,100 per ton by 2025, according to analysts led by Javier Martinez de Olcoz.

Not all lithium is equal either. Miners produce lithium with specific chemical properties, catered to the needs of each buyer. Negotiations to close contracts are confidential and typically take months.

“As the EV industry evolves, battery requirements are changing to address greater safety needs, range specifications, and energy density,” Martinez de Olcoz wrote in a report. The difference, he said, “has raised questions about the ability of lithium producers to keep up with the fast-changing demand profile.”



Source: IEA analysis based on country submissions, complemented by ACEA (2019); EAFO (2019); EV Volumes (2019); Marklines (2019); OICA (2019).

The question for investors in the market is that of “Who is going to survive?” Management believes that the Corporation will differentiate itself from its chemical peers in the short term by focusing on its Phase I technical grade demonstration plant plans. This potential development should substantiate the high-quality characteristics, coupled by the assets’ location of the Great Lakes Region to cautiously but confidently move the project toward scaled commercial production goal of 2025. As long as the market continues to grow in North America, the PAK Lithium Project will rise above the majority of growth opportunities in lithium, therefore the Corporation will “stay the course”.

## VIII. BASIS OF PREPARATION:

### STATEMENT OF COMPLIANCE:

The financial statements for the three-month period ended June 30, 2019 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 June 30, 2019. On August 28, 2019 the Board of Directors approved for filing on SEDAR these first quarter financial statements.

### BASIS OF MEASUREMENT:

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

The unaudited 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 first quarter financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

### USE OF ESTIMATES AND JUDGMENTS:

The preparation of the first 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 first quarter financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that effect amounts reported in the first quarter financial statement and notes. There is full disclosure of the Corporation's significant accounting policies and accounting estimates in Note 2 of the first quarter financial statements for the three-months ended June 30, 2019 and 2018.

## 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 three-months ended June 30, 2019 and 2018 the Corporation incurred the following expenditures with companies controlled by a director of the company and a company controlled by an officer of the company,

| Description  | June 30, 2019 | June 30, 2018 |
|--|---------------|---------------|
| Office rental (paid to companies controlled by a corporate director) | \$2,250       | \$2,250       |
| Consulting   | \$62,500      | \$62,500      |

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. For an amount of \$1,000,000, 1% of this royalty may be purchased once the Corporation has officially declared it is in commercial production. The claim has since been to mining lease (ML) 109669. The PAK deposit as currently known is located on this lease.
- 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 three 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.

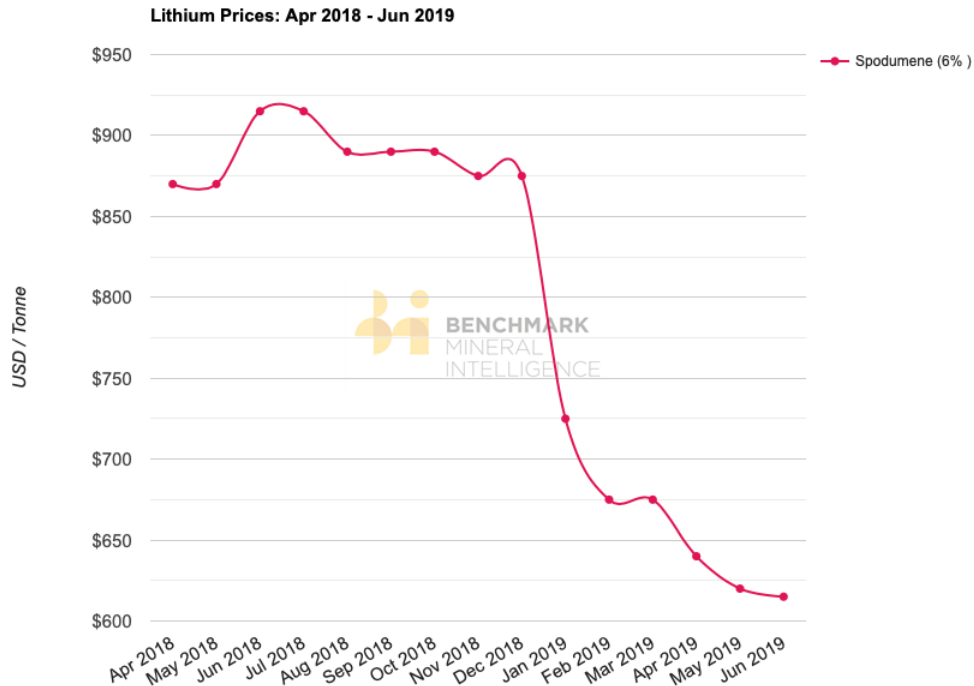
The Corporation has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Corporation has been successful in the past in obtaining financing through the sale of equity securities, 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 12 below displays price pressures since November 2018 to the date of this report on chemical grade spodumene concentrate (CG\_SC6.0) freight-on-board ("FOB") Australia. Forecasting by some lithium analysts in March of 2018 of this price decrease in feedstock to conversion plants in China have been attributed to approximately 50% reduction in the lithium equity market since that time. 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 the Phase I Demonstration plant development could reduce this risk by differentiating the Corporation's low-iron assets to the lower quality Australian feedstock supplying Chinese chemical plants in the future.



**Figure 8: Chemical Grade Spodumene FOB Australia**

## 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 \$85,000 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 2019-2020.

## 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-14-10611 authorizing activities of mechanized drilling, mechanical stripping and pitting and trenching in the general vicinity of the PAK deposit. The duration of the permit is from March 6<sup>th</sup>, 2018 until March 5<sup>th</sup>, 2021. 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>.

In addition, the Corporation has approved Exploration Permit # PR-18-000258 authorizing the same activities mentioned above from January 30, 2019 until January 30, 2022 in the general vicinity of the Spark pegmatite showing.

## 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 (approx. 30%) 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, 2018 to March 31, 2019, 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 loss contained in its audited financial statements for the year ended March 31, 2019.

### **FRONTIER LITHIUM INC.**

Trevor R. Walker

President & CEO

August 29, 2019