



FINANCIAL STATEMENTS

Six months ending September 30, 2021 and 2020
(Unaudited and Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that the statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Statement of Financial Position Unaudited

September 30, 2021

March 31, 2021

Assets

Current

| | | |
|---|-------------|--------------|
| Cash and cash equivalents | \$7,224,457 | \$10,307,229 |
| Cash restricted for flow through expenditures (Note 12) | 727,920 | 37,593 |
| Investments – FVTPL (Note 3) | 14,892 | 10,129 |
| HST receivable | 103,733 | 125,540 |
| Share subscriptions receivable | - | 165,000 |
| Government assistance receivable | 99,917 | 228,272 |
| Other receivables | 16,000 | 16,000 |
| Prepaid expenses | 50,583 | 45,762 |
| | 8,237,502 | 10,935,525 |

| | | |
|---|--------------|--------------|
| Property, plant and equipment (Note 5) | 173,175 | 181,715 |
| Right of Use Asset (Note 7) | 30,046 | 33,484 |
| Exploration and evaluation assets (Notes 4) | 20,413,486 | 13,984,764 |
| | \$28,854,209 | \$25,135,488 |

Liabilities and Shareholders' Equity

Current

| | | |
|---|-----------|-------------|
| Accounts payable and accrued liabilities (Note 6) | \$848,228 | \$1,249,256 |
| Premium on flow-through shares (Note 9) | 175,452 | 60,000 |
| Current Portion of Lease Liability (Note 8) | 8,806 | 5,821 |
| | 1,032,486 | 1,315,077 |

| | | |
|--------------------------|-----------|-----------|
| Lease Liability (Note 8) | 20,280 | 25,968 |
| Loan payable | 40,000 | 40,000 |
| | 1,092,766 | 1,381,045 |

Shareholders' equity

| | | |
|------------------------------|--------------|--------------|
| Share capital (Note 9) | 45,030,274 | 40,146,095 |
| Contributed surplus (Note 9) | 18,535,813 | 15,822,598 |
| Deficit | (35,804,644) | (32,214,250) |
| | 27,761,443 | 23,754,443 |
| | \$28,854,209 | \$25,135,488 |

Frontier Lithium Inc.

Statement of Financial Operations, Comprehensive Loss and Deficit (Unaudited)

| | Six Months Ended Sept. 30, 2021 | Six Months Ended Sept. 30, 2020 | Three Months Ended Sept. 30, 2021 | Three Months Ended Sept. 30, 2020 |
|--|---------------------------------------|---------------------------------------|---|---|
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | |
| Consulting (Note 6) | 402,247 | 156,838 | 111,045 | 83,025 |
| Wages and benefits | 279,669 | 107,968 | 180,186 | 53,657 |
| Stock option compensation (Note 9) | 2,552,531 | 804,697 | 1,022,407 | 804,697 |
| Vehicle and travel | 79,019 | 19,977 | 67,755 | 2,059 |
| General administrative | 291,368 | 161,265 | 85,669 | 125,839 |
| Insurance | 38,406 | 11,453 | 11,232 | 5,757 |
| Office and equipment rental (Note 6) | - | 4,500 | - | 2,250 |
| Telephone | 7,382 | 6,357 | 3,409 | 2,734 |
| Professional fees | 138,630 | 83,256 | 104,778 | 80,006 |
| Depreciation | 28,767 | 24,704 | 14,757 | 12,353 |
| Shareholder and investor relations | - | 678 | - | 443 |
| Bank charges and interest | 6,484 | 4,278 | 2,490 | 2,641 |
| Depreciation of Right of Use Asset (Note 7) | 3,438 | - | 1,719 | - |
| | 3,827,941 | 1,385,971 | 1,605,447 | 1,175,461 |
| Net loss before tax and items below | (3,827,941) | (1,385,971) | (1,605,447) | (1,175,461) |
| Unrealized gain (loss) on investments - FVTPL | 4,764 | 11,390 | 3,741 | 3,869 |
| Unrealized gain (loss) on currency | 102,711 | - | 135,861 | - |
| Other income | 38,099 | 89,003 | 38,099 | 56,483 |
| Net loss before tax | (3,682,367) | (1,285,578) | (1,427,746) | (1,115,109) |
| Income tax recovery | | | | |
| Deferred (Note 10) | 91,973 | 100,000 | - | 100,000 |
| Net loss for the period | \$(3,590,394) | \$(1,185,578) | \$(1,427,746) | \$(1,015,109) |
| Deficit, beginning of period | (32,214,250) | (25,557,003) | (34,376,898) | (25,727,472) |
| Deficit, end of period | (35,804,644) | (26,742,581) | (35,804,644) | (26,742,581) |
| Net loss per share (basic) | \$ (0.019) | \$ (0.007) | \$ (0.007) | \$ (0.006) |
| Weighted average number of shares | 193,414,245 | 166,694,595 | 193,485,995 | 171,187,694 |

Frontier Lithium Inc.
Statement of Changes in Shareholders' Equity
Unaudited

| | Share capital | | Advances for shares to be Issued | Share subscriptions receivable | Contributed surplus | Accumulated other comprehensive loss | Deficit |
|---|--------------------|-------------------|--|--------------------------------------|------------------------|--|---------------------|
| | Shares (#) | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>Period Ending Sept 30, 2020</u> | 162,102,672 | 29,986,995 | - | - | 8,456,821 | | (25,557,003) |
| Balance March 31, 2020 | | | | | | | |
| Net income and comprehensive loss for the period | | | | | | | (1,185,578) |
| Transactions during the period | | | | | | | |
| Options issued | | | | | 804,697 | | |
| Private placement | 10,077,000 | 1,961,025 | | | | | |
| Less: valuation of warrants | | (373,662) | | | 373,662 | | |
| Less: flow-through premium | | | | | | | |
| Finders' fees | | (48,900) | | | 31,500 | | |
| Exercise of option | 200,000 | 60,733 | | | (28,734) | | |
| Balance at Sept 30, 2020 | 172,379,672 | 30,586,191 | - | - | 9,637,946 | - | (26,742,581) |
| <u>Period Ending Sept 30, 2021</u> | 188,847,809 | 40,146,095 | - | - | 15,822,598 | | (32,214,250) |
| Balance March 31, 2021 | | | | | | | |
| Net income and comprehensive loss for the period | | | | | | | (3,590,394) |
| Transactions during the period | | | | | | | |
| Private placement | 1,822,708 | 2,369,521 | | | | | |
| Less: flow-through premium | | (207,425) | | | | | |
| Less: valuation of warrants | | (295,273) | | | 295,273 | | |
| Less: Finders' fees | | (5,500) | | | | | |
| Less: valuation of broker warrants | | (30,208) | | | 30,208 | | |
| Shares issued for property acquisition | 1,000,000 | 1,000,000 | | | | | |
| Issuance of shares | 25,000 | | | | | | |
| Stock option compensation | | | | | 2,552,531 | | |
| Exercise of warrants | 3,370,574 | 1,652,768 | | | | | |
| Exercise of options | 910,000 | 400,296 | | | (164,797) | | |
| Balance at Sept 30, 2021 | 195,976,091 | 45,030,274 | - | - | 18,535,813 | - | (35,804,644) |

Frontier Lithium Inc.
Statement of Cash Flows
(Unaudited)

| | Six Months Ended Sept. 30, 2021 | Six Months Ended Sept. 30, 2020 | Three Months Ended Sept. 30, 2021 | Three Months Ended Sept. 30, 2020 |
|--|--|---------------------------------------|--|---|
| Cash provided by (used in) | | | | |
| Operating activities | | | | |
| Net loss for the period | \$ (3,590,394) | \$ (1,185,578) | \$ (1,427,746) | \$ (1,015,109) |
| Items not involving cash | | | | |
| Unrealized loss (gain) – FVTPL | (4,764) | (11,390) | (3,741) | (3,869) |
| Deferred income tax recovery | (91,973) | (100,000) | - | (100,000) |
| Stock option compensation | 2,552,531 | 804,697 | 1,022,407 | 804,697 |
| Depreciation of ROU asset | 3,438 | - | 1,719 | - |
| Depreciation | 28,767 | 24,704 | 14,757 | 12,353 |
| | (1,102,395) | (467,567) | (392,604) | (301,928) |
| Changes in non-cash working capital balances | | | | |
| HST receivable and other receivables | 315,160 | 137,979 | (64,886) | (17,976) |
| Prepaid expenses | (4,820) | (10,700) | 3,959 | 1,959 |
| Accounts payable and accrued liabilities | (401,030) | (337,278) | 58,310 | (216,293) |
| | (90,690) | (677,566) | (2,615) | (534,238) |
| Investing activities | | | | |
| Investment in exploration and evaluation assets | (6,428,722) | (570,370) | (202,474) | (316,882) |
| Cash restricted for flow-through expenditures | (690,327) | 159,685 | 660,540 | 27,703 |
| Purchase of property, plant and equipment | (20,225) | - | (10,858) | - |
| | (7,139,274) | (410,685) | 447,208 | (289,179) |
| Financing activities | | | | |
| Issuance of common shares | 3,074,247 | 1,587,362 | - | 1,329,173 |
| Issuance of warrants | 295,273 | 373,662 | - | 352,635 |
| Loan payable | - | 40,000 | - | - |
| Payments made under ROU lease | (2,702) | - | (1,351) | - |
| Finders' fees | (5,500) | (17,400) | - | (17,400) |
| Exercise of warrants and options | 1,888,269 | 32,000 | 197,357 | 32,000 |
| | 5,249,587 | 2,015,624 | 196,006 | 1,696,408 |
| Increase (decrease) in cash during the period | (3,082,772) | 927,373 | 247,995 | 872,991 |
| Cash and cash equivalents, beginning of period | \$ 10,307,229 | \$ 565,946 | \$ 6,976,462 | \$ 620,328 |
| Cash and cash equivalents, end of period | \$ 7,224,457 | \$ 1,493,319 | \$ 7,224,457 | \$ 1,493,319 |

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

1. Nature of Operations and Going Concern

Nature of Operations

Frontier Lithium Inc. (the "Company" or "FL") was incorporated as 646215 Alberta Inc. by Certificate of Incorporation issued pursuant to the Business Corporations Act (Alberta) on March 13, 1995. The company was formerly called Houston Lake Mining Inc. The name of the Company was changed by Certificate of Amendment dated May 19, 2016.

The registered address of the Company is 2736 Belisle Drive, Val Caron, Ontario, P3N 1B3.

The Company is listed on the Toronto Venture Exchange ("TSX-V") under the symbol "FL".

The Company's principal activity is the acquisition, exploration and development of mining properties.

Going Concern

These financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from September 30, 2021. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development.

As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. Critical Accounting Policies

(a) Basis of presentation and statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2021 which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 2 in the audited financial statements for the year ended March 31, 2021 and have been consistently applied in the preparation of these interim financial statements.

The Company operates in one segment defined as the cash generating unit (CGU) which is Canada.

The board of directors approved these financial statements on November 17, 2021.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

(c) Presentation and functional currency

The Company's presentation currency and functional currency is the Canadian dollar.

(d) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the statement of financial position date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred.

Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Statement of Operations, Comprehensive Loss and Deficit, except for differences arising on the translation of equity instruments that are measured at fair value through other comprehensive income which are recorded in other accumulated comprehensive income.

2. Critical Accounting Policies

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

Classification of Financial Assets

Financial assets are initially measured at fair value and classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Financial assets measured at amortized cost are initially recognized at fair value and subsequently are measured at amortized cost using an effective interest rate method. Financial assets measured at FVTPL are measured at fair value with unrealized gains and losses recognized in the Statement of Operations, Comprehensive Loss and Deficit.

Financial assets recognized in the statement of financial position include cash and cash equivalents, cash restricted for flow-through expenditures, HST receivable and other assets and investments.

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments in Canada with maturities of three months or less. Cash and cash equivalents are classified as fair value through profit or loss and are measured at fair value. Cash restricted for flow-through expenditures consist of bank balances and is classified as fair value through profit or loss.

HST receivable and other receivables is initially recognized at fair value and is subsequently measured at amortized cost using an effective interest rate method.

Investments reported at fair-value-through-profit-and-loss (FVTPL) are recorded at fair value with the difference between fair value and cost being recorded as unrealized gain or loss in value of investments on the Statement of Operations, Comprehensive Loss and Deficit.

Classification of Financial Liabilities

Financial liabilities are classified as either FVTPL or amortized cost. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Statement of Operations, Comprehensive Loss and Deficit unless the change in fair value is attributable to changes in credit risk in which case the change is reported in other comprehensive income. Financial liabilities reported at amortized cost, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities consist of accounts payable and accrued liabilities and loans payable. Accounts payable and accrued liabilities and loans payable are initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (Continued)

Measurement of Fair Value

All financial instruments that are measured at fair value are categorized into one of the three hierarchy levels, as described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Transaction Costs

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss for the period are recognized immediately in the Statement of Operations, Comprehensive Loss and Deficit.

Offsetting

Financial assets and financial liabilities are offset and reported on the Statement of Financial Position only if there is an enforceable legal right to offset the recognized amounts, and an intention to realize the asset and settle the liability simultaneously.

Issuance of Equity Instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

A comparison of the classifications of financial assets and financial liabilities before and after implementation of IFRS 9 is shown in the table below:

| | IAS 39 | IFRS 9 |
|---|-----------------------------|----------------|
| <i>Financial assets</i> | | |
| Cash and cash equivalents | FVTPL | FVTPL |
| Cash restricted for flow-through expenditures | FVTPL | FVTPL |
| Investments | FVTPL | FVTPL |
| HST receivable and other receivables | loans and receivables | amortized cost |
| <i>Financial liabilities</i> | | |
| Accounts payable and accrued liabilities | other financial liabilities | amortized cost |

For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(f) Property, Plant and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price which includes the cash consideration and the fair market value of shares issued for the acquisition of capital assets and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within the provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Operations, Comprehensive Loss and Deficit during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with its carrying amount, and are recognized in the Statement of Operations, Comprehensive Loss and Deficit.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation based on the estimated useful life of the asset is calculated as follows:

| | | |
|------------------------|-------------|---------------------------|
| Exploration equipment | - 30% | diminishing balance basis |
| Furniture and fixtures | - 20 % | diminishing balance basis |
| Vehicles | - 30 % | diminishing balance basis |
| Computer equipment | - 55/45/30% | diminishing balance basis |
| Computer software | - 20 % | diminishing balance basis |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

2. Critical Accounting Policies (continued)

(g) Leased assets

Effective April 1, 2019, the Company adopted IFRS 16 – Leases (IFRS 16). IFRS 16 replaces IAS 17 – Leases. The new standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The Company does not have any lease obligations.

(h) Exploration and evaluation assets

Exploration assets

Exploration expenditures relating to resource properties in which a legal right to explore has been obtained and an interest is retained are deferred and are carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property is written off. The fair value of resource properties acquired in exchange for the issuance of the Company's shares is determined by the trading price of the Company's shares on the date the shares are issued.

Option payments paid by the Company are capitalized to resource property costs when paid. Option payments received by the Company are deducted from resource property costs when received. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received or paid.

Evaluation assets

Evaluation expenditures relating to the evaluation of a resource property are capitalized until the property is brought into production, abandoned or sold. Expenditures relating to a resource property that is brought into production are amortized on a unit-of-production basis over estimated recoverable reserves.

If a project is successful and production commences, the exploration expenditures and related deferred evaluation expenditures are amortized by charges against income from future mining operations.

Exploration and evaluation expenditures, which are general in nature and cannot be associated with a specific group of mining claims, and general administrative expenses, are expensed in the year incurred.

(i) General

Administrative, prospecting and general expenses are expensed in the year in which they are incurred.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(j) Income Taxes

Income taxes are calculated using the asset and liability method. Under this method deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management are more likely than not to be realized before expiry. Deferred tax assets and liabilities are presented as a non-current item and measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities resulting from a change in enacted or substantially enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

(k) Flow-Through Shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statement of Financial Position. When the related expenditures are incurred, and the tax deductions are renounced to the unit holders, the Company reverses the related deferred tax liability on the Statement of Financial Position and reduces the deferred tax expense on the Statement of Operations, Comprehensive Loss and Deficit.

(l) Provisions

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision at September 30, 2021 or March 31, 2021.

Frontier Lithium Inc.

Notes to Financial Statements

For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(m) Provisions (continued)

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that arose from past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statement of Operations, Comprehensive Loss and Deficit.

(n) Share capital

Financial instruments issued by the Company are defined as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, stock options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(o) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed next.

**Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)**

2. Critical Accounting Policies (continued)

(o) Use of Estimates (continued)

Rehabilitation provisions

Rehabilitation provisions are based on internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the recognized provisions may be higher or lower than currently provided for.

The company had no rehabilitation provision at September 30, 2021 and March 31, 2021.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Frontier Lithium Inc. Notes to Financial Statements For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(o) Use of Estimates (continued)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company uses the Black-Scholes model to value stock options.

(p) Stock Based Payments

Where equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the Statement of Operations, Comprehensive Loss and Deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Operations, Comprehensive Loss and Deficit over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. All equity-settled stock-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The Company values stock options using the Black-Scholes model.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(q) Income Recognition

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the provision of goods (or the completion of services) to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with the customer; ii) identify the performance obligations in the contract, iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Income from the sale of mineral products, when they occur, are recorded on a gross basis when title passes to an external party. The Company recognizes income when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to the customer at the time control of the product passes to the customer.

Interest income is accrued as earned.

(r) Comprehensive Income

Comprehensive income is the change in equity of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize in net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Statement of Operations, Comprehensive Loss and Deficit, nor has the Company accumulated other comprehensive income during the reporting periods.

(s) Loss Per Share

Basic earnings (loss) per share is computed by dividing income (loss) and comprehensive income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

2. Critical Accounting Policies (continued)

(t) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

A previously recognized impairment loss may be reversed, to the extent of previously recorded losses, if the asset subsequently recovers.

Non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Indicators of impairment include a significant decrease in market price, evidence of obsolescence and physical damage, carrying amount of the net assets is more than its market capitalization, or significant adverse change in use.

Where the carrying value of an asset exceeds its recoverable amount, which is the greater of value in use and fair value less disposal costs, the asset is written down accordingly. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statement of Operations, Comprehensive Loss and Deficit.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the smallest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Operations, Comprehensive Loss and Deficit. The increased amount cannot exceed the carrying amount that would have been determined had no impairment been recognized for the asset.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

3. Investments – FVTPL

The Company holds securities that have been designated as fair value through profit or loss (FVTPL) as follows:

| | September 30, 2021 | | March 31, 2021 | |
|------------------------------------|---------------------------|-------------------|-----------------------|-------------|
| | Market Value | Cost | Market Value | Cost |
| Long-term: | | | | |
| Common shares in public Company | \$ 14,892 | \$ 553,917 | \$ 10,129 | \$ 553,917 |

Market value is based on the quoted closing bid price of the securities at September 30, 2021, and March 31, 2021. The fair value of these securities may differ from the quoted trading price because of market fluctuations and adjustment for quantities traded.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

4. Exploration and Evaluation Assets

Period Ending September 30, 2021

| | Pakeagama Lake (a) | Other properties (b) | Total |
|---|-----------------------------|----------------------------|-----------------------------|
| Acquisition Costs: | | | |
| Balance at April 1, 2021 | \$ 426,250 | \$ - | \$ 426,250 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Balance at September 30, 2021 | <u>426,250</u> | <u>-</u> | <u>426,250</u> |
| Deferred Exploration Costs: | | | |
| Balance at April 1, 2021 | \$ 13,558,514 | \$ - | \$ 13,558,514 |
| Additions | 1,366,633 | - | 1,366,633 |
| Royalty Repurchase | 4,062,089 | - | 4,062,089 |
| Shares Issued on Royalty Repurchase | 1,000,000 | - | 1,000,000 |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Balance at September 30, 2021 | <u>19,987,236</u> | <u>\$ -</u> | <u>\$ 19,987,236</u> |
| Total acquisition and deferred exploration costs | <u>\$ 20,413,486</u> | <u>\$ -</u> | <u>\$ 20,413,486</u> |

Period Ending September 30, 2020

| | Pakeagama Lake (a) | Other properties (b) | Total |
|---|-----------------------------|----------------------------|-----------------------------|
| Acquisition Costs: | | | |
| Balance at April 1, 2020 | \$ 426,250 | \$ - | \$ 426,250 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Balance at September 30, 2020 | <u>426,250</u> | <u>-</u> | <u>426,250</u> |
| Deferred Exploration Costs: | | | |
| Balance at April 1, 2020 | \$ 11,982,848 | \$ - | \$ 11,982,848 |
| Additions | 570,370 | - | 570,370 |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Balance at September 30, 2020 | <u>12,553,218</u> | <u>\$ -</u> | <u>\$ 12,553,218</u> |
| Total acquisition and deferred exploration costs | <u>\$ 12,979,468</u> | <u>\$ -</u> | <u>\$ 12,979,468</u> |

4. Exploration and Evaluation Assets (continued)

(a) Pakeagama Lake – Red Lake, Ontario

The Company entered into an exploration agreement with each of four First Nations and has committed to make certain payments (see Note 11).

Pakeagama Lake Property

The Company has a 100% interest in the Pakeagama Lake Property.

Pakeagama Lake Southeast Property

The Company has a 100% interest in the Pakeagama Lake Southeast Property. The 100% ownership interest is subject to a 2.5% NSR subject to a 1.0% buyout provision.

(b) Other Properties

Tib Lake

In 2016 the Company transferred 100% ownership interest of the Tib Lake property to an arms' length party as a result of a \$450,000 cash consideration and a \$1,600,000 mineral exploration expenditure commitment that was fulfilled over a 4-year period. The Company maintains a 2.5% net smelter royalty on certain mining claims. The purchaser has the option to buy back 1% of the net smelter royalty for \$1,000,000.

Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

4. Exploration and Evaluation Properties (Continued)

(c) Optioning and Sale of Properties (continued)

Other Properties

In 2013, the Company sold 100% ownership interest of the following properties to an arm's length party: Dogpaw Lake, West Cedartree (Jesse, West Cedartree, McLennan, Dogpaw West and Gold Sun), North Block, and Dubenski.

The Company maintains a 2.5% net smelter royalty (NSR) on net smelter returns from the West Cedartree property.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

5. Property, Plant and Equipment

Period Ending September 30, 2021

| | Exploration Equipment | Furniture & Fixtures | Vehicles | Computer Equipment | Computer Software | Total |
|---------------------------------|--------------------------|-------------------------|------------------|-----------------------|----------------------|-------------------|
| Cost | | | | | | |
| Cost at April 1, 2021 | \$ 164,023 | \$ 33,480 | \$ 200,259 | \$ 84,695 | \$ 75,130 | \$ 557,587 |
| Additions | - | - | - | 20,227 | - | 20,227 |
| Disposals | - | - | - | - | - | - |
| Cost at September 30, 2021 | 164,023 | 33,480 | 200,259 | 104,922 | 75,130 | 577,814 |
| Accumulated depreciation | | | | | | |
| Balance at April 1, 2021 | \$ 85,744 | \$ 28,335 | \$ 131,603 | \$ 79,107 | \$ 51,081 | \$ 375,870 |
| Depreciation for period | 11,742 | 515 | 10,299 | 3,570 | 2,643 | 28,769 |
| Balance at September 30, 2021 | 97,486 | 28,850 | 141,902 | 82,677 | 53,724 | 404,639 |
| Net book value | \$ 66,537 | \$ 4,630 | \$ 58,357 | \$ 22,245 | \$ 21,406 | \$ 173,175 |

Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

5. Property, Plant and Equipment (Continued)

Period Ending September 30, 2020

| | Exploration Equipment | Furniture & Fixtures | Vehicles | Computer Equipment | Computer Software | Total |
|---------------------------------|----------------------------------|-------------------------------------|-------------------------|-------------------------------|------------------------------|--------------------------|
| Cost | | | | | | |
| Cost at April 1, 2020 | \$ 68,805 | \$ 33,480 | \$ 200,259 | \$ 84,695 | \$ 75,130 | \$ 462,369 |
| Additions | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Cost at September 30, 2020 | <u>68,805</u> | <u>33,480</u> | <u>200,259</u> | <u>84,695</u> | <u>75,130</u> | <u>462,369</u> |
| Accumulated depreciation | | | | | | |
| Balance at April 1, 2020 | \$ 52,196 | \$ 27,049 | \$ 102,179 | \$ 72,291 | \$ 44,184 | \$ 297,899 |
| Depreciation for period | 2,492 | 643 | 14,712 | 3,408 | 3,449 | 24,704 |
| Balance at September 30, 2020 | <u>54,688</u> | <u>27,692</u> | <u>116,891</u> | <u>75,699</u> | <u>47,633</u> | <u>322,603</u> |
| Net book value | <u>\$ 14,117</u> | <u>\$ 5,788</u> | <u>\$ 83,368</u> | <u>\$ 8,996</u> | <u>\$ 27,497</u> | <u>\$ 139,766</u> |

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

6. Related Party Balances and Transactions

During the six months ended September 30, 2021 and 2020, the Company incurred the following expenditures with related parties:

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|--|---|--|
| Office and equipment rental ¹ | \$ - | \$ 4,500 |
| Consulting ² | 125,000 | 125,000 |

¹ paid to company controlled by a corporate director

² paid to corporate officers

Included in accounts payable is \$96,333 owing to corporations controlled by a director of the company.

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.

7. Right of use asset

During the six months ended September 30, 2021, total right of use assets totaled \$30,046 consisting of office space that is amortized over the life of the lease plus the first renewal term. The lease expires October 14, 2022 but is subject to an automatic three year extension at that time.

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|-------------------|---|--|
| Beginning Balance | \$ 33,484 | \$ - |
| Additions | - | - |
| Amortization | (3,438) | - |
| Net Book Value | <u>30,046</u> | - |

8. Lease liability

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|---------------------|---|--|
| Beginning Balance | \$ 31,789 | \$ - |
| Additions | - | - |
| Payments | (2,703) | - |
| Interest | - | - |
| | <u>29,086</u> | |
| Allocated as: | | |
| Current portion | 8,806 | |
| Non-current portion | 20,280 | |

Frontier Lithium Inc.
Notes to Financial Statements

For Six Months Ended September 30, 2021 and 2020 (Unaudited)

9. Share Capital

(a) Authorized:

Unlimited number of common voting shares without nominal or par value
Unlimited number of first preferred shares
Unlimited number of second preferred shares

The First and Second Preferred Shares may be issued in one or more series. The Directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

(b) Issued – Common Voting Shares

Period Ending September 30, 2021

| | Shares | Amount |
|--|--------------------|----------------------|
| Balance at March 31, 2021 | 188,847,809 | \$ 40,146,095 |
| Private placement ^a | 1,822,708 | 2,369,521 |
| Less: value of warrants ^a | | (295,273) |
| Less: finders' fee – cash ^a | | (5,500) |
| Less: finders' fee – warrants ^a | | (30,208) |
| Less: flow-through premium | | (207,425) |
| Exercise of warrants | 3,370,574 | 1,652,768 |
| Issuance of Shares | 25,000 | - |
| Shares issued for property acquisition | 1,000,000 | 1,000,000 |
| Exercise of options ^b | 910,000 | 400,296 |
| Balance at September 30, 2021 | <u>195,976,091</u> | <u>\$ 45,030,274</u> |

- (i) In April 2021, the company issued 1,822,708 units in a private placement financing for total proceeds of \$2,369,521. Each unit consisted of one common share and one half of one share purchase warrant exercisable at \$1.50 for twenty-four months. The fair value attributed to the 911,354 share purchase warrants was estimated to be \$295,273.

The company paid financing fees consisting of cash of \$121,201 and 93,232 warrants to brokers. The warrants were valued at \$30,207.

The assumptions used in the Black-Scholes model are as follows: risk free rate 0.24% and volatility 85.71%.

- (ii) In April and May 2021, 910,000 options were exercised to buy 910,000 common shares of the company for total proceeds of \$235,500.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

(b) Issued – Common Voting Shares (continued)

Period Ending September 30, 2020

| | Shares | Amount |
|--|--------------------|----------------------|
| Balance at March 31, 2020 | 162,102,672 | \$ 29,986,995 |
| Private placement ^a | 10,077,000 | 1,961,025 |
| Less: value of warrants ^a | | (373,662) |
| Less: finders' fee – cash ^a | | (17,400) |
| Less: finders' fee – warrants ^a | | (31,500) |
| Exercise of options ^b | 200,000 | 60,733 |
| Balance at September 30, 2020 | <u>172,379,672</u> | <u>\$ 31,586,191</u> |

- (a) In June and July 2020, the company issues 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. The warrants were valued at \$31,500.

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

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

(c) Warrants Outstanding:

| | |
|----------------------------------|-------------------|
| Balance at April 1, 2021 | 12,726,298 |
| Warrants exercised during period | (3,370,574) |
| Warrants expired during period | (317,500) |
| Warrants issued during period | 1,004,586 |
| Balance at September 30, 2021 | <u>10,042,810</u> |

At September 30, 2021, the following warrants were outstanding:

| <u>Expiry Date</u> | <u>Exercise Price</u> | <u>Number of Shares</u> |
|--------------------|-----------------------|-------------------------|
| Nov 6, 2021 | 0.375 | 714,285 |
| Nov 13, 2021 | 0.375 | 100,800 |
| Dec 20, 2021 | 0.450 | 550,012 |
| June 25, 2022 | 0.270 | 75,000 |
| July 7, 2022 | 0.270 | 1,030,500 |
| July 15, 2022 | 0.270 | 200,000 |
| July 20, 2022 | 0.270 | 514,120 |
| July 24, 2022 | 0.270 | 700,000 |
| November 10, 2022 | 0.450 | 1,149,893 |
| March 15, 2023 | 1.250 | 4,003,614 |
| April 13, 2023 | 1.500 | 1,004,586 |
| | | <u>10,042,810</u> |

(d) Stock Based Compensation:

The Company has a share option plan under which options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company and private corporations for terms of up to five years at a price not to exceed that permitted by any stock exchange on which the Company's shares are listed. The maximum number of options available for grant under the plan is 10% of the issued and outstanding shares with no more than 5% granted to any one director.

For Six Months Ended September 30, 2021 and 2020 (Unaudited)

9. Share Capital Continued

(d) Stock Based Compensation (continued)

The following is a summary of the options outstanding at September 30, 2021, which have been granted by the Board of Directors:

| | Options | Weighted Average Exercise Price |
|---------------------------------|-------------------|--|
| Balance at April 1, 2021 | 14,275,000 | \$ 0.67 |
| Options issued during period | 4,645,000 | \$ 0.87 |
| Options cancelled during period | (1,000,000) | \$ 1.05 |
| Options expired during period | | |
| Options exercised during period | (910,000) | \$ 0.27 |
| Balance at September 30, 2021 | <u>17,010,000</u> | <u>\$ 0.72</u> |

| <u>Expiry Date</u> | <u>Option Price</u> | <u>Number of Shares</u> |
|--------------------|---------------------|--------------------------|
| December 11, 2024 | 0.30 | 2,116,666 |
| September 23, 2025 | 0.25 | 3,935,000 |
| February 23, 2026 | 1.05 | 5,813,334 |
| March 17, 2026 | 1.04 | 500,000 |
| April 28, 2026 | 0.90 | 1,250,000 |
| March 17, 2026 | 0.82 | 1,500,000 |
| September 1, 2026 | 0.90 | <u>1,895,000</u> |
| | | <u>17,010,000</u> |

(e) Contributed Surplus

Contributed surplus represents the amount reported as the fair value of stock options issued.

Frontier Lithium Inc.
Notes to Financial Statements
For Six Months Ended September 30, 2021 and 2020 (Unaudited)

10. Income Taxes

The Company has \$12,311,633 of non-capital losses available to offset future income for tax purposes. The non-capital losses will expire as follows:

| | | |
|------|----|----------------------|
| 2026 | \$ | 108,637 |
| 2027 | | 289,132 |
| 2028 | | 577,844 |
| 2029 | | 662,731 |
| 2030 | | 595,436 |
| 2031 | | 802,655 |
| 2032 | | 824,860 |
| 2033 | | 531,395 |
| 2034 | | 481,005 |
| 2035 | | 543,729 |
| 2036 | | 941,773 |
| 2037 | | 937,839 |
| 2038 | | 878,761 |
| 2039 | | 1,279,762 |
| 2040 | | 1,353,436 |
| 2041 | | 1,502,638 |
| | | <u>\$ 12,311,633</u> |

The deferred tax liability and asset was calculated using a tax rate of 26.5% as follows:

| | September 30, 2021 | March 31, 2021 |
|---|-------------------------------|-------------------|
| Deferred tax liability | | |
| Investment in exploration and evaluation assets | \$ 2,570,304 | \$ 2,207,244 |
| Deferred tax asset | | |
| Property, plant and equipment | (107,229) | (102,642) |
| Undeducted share issuance costs | (117,282) | (115,824) |
| Undeducted non-capital losses | (3,589,551) | (3,262,583) |
| Valuation allowance | 1,243,758 | 1,273,805 |
| Net deferred tax liability | \$ - | \$ - |

For Six Months Ended September 30, 2021 and 2020 (Unaudited)

10. Income Taxes (continued)

The Company's effective tax rate, which differs from the combined federal and provincial statutory rate of 26.5%, is reconciled as follows:

| Six months ending | September 30, 2021 | September 30, 2020 |
|---|-------------------------------|-----------------------|
| Loss before income tax | \$ (3,682,367) | \$ (1,285,578) |
| Income tax recovery @ 26.5% | (975,827) | (340,678) |
| Unrealized (gain) loss on investments - FVTPL | (1,262) | (3,018) |
| Loss on extinguishment of debt | - | - |
| Share compensation | 676,421 | - |
| Other | 9,029 | 7,047 |
| Share issue costs | (35,328) | (16,114) |
| Valuation allowance | 326,967 | 352,763 |
| | <hr/> | <hr/> |
| Current income tax expense (recovery) | \$ - | \$ - |
| Deferred income tax recovery | (91,973) | (100,000) |
| Income tax recovery | \$ (91,973) | \$ (100,000) |

11. Commitments

The company entered into exploration agreements with four First Nations that neighbor the PAK Lithium Project properties for the purpose of ongoing exploration. Obligations to date have been accrued.

12. Cash Restricted for Flow-Through Expenditures

The company issues flow-through shares which require it to spend the proceeds on qualifying exploration expenditures. At September 30, 2021, the company has a commitment to spend \$727,920 on qualifying exploration expenditures.

13. Capital Management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing mineral resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended September 30, 2021.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

14. Financial Risk Factors

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objective of the Company's risk management process is to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below:

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Cash and cash equivalents consists of cash on hand deposited with reputable financial institutions which is closely monitored by management. Accounts receivable includes HST receivable and is subject to CRA's assessment prior to receipt. Management believes credit risk with respect to cash and cash equivalents and accounts receivable is low.

Liquidity Risk

The Company ensures 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 Company's cash is held in business accounts with a Canadian bank. Management believes that liquidity risk is low.

14. Financial Risk Factors (continued)

Fair Value

The carrying value of cash and cash equivalents, HST receivable and other receivables, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

All financial instruments that are measured at fair value are categorized into one of three hierarchy levels, as described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for a comparable asset or liability, either directly or indirectly.
- Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments

The Corporation's only instruments that are carried at fair value are cash and cash equivalents and investments - FVTPL each of which is considered Level 1 in the hierarchy.

Interest Rate Risk

The Company's cash is held in business accounts with nominal interest rates. Management considers interest rate risk to be low.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company retains a US Bank Account with a nominal balance. Management considers currency risk to be low.

Commodity Price Risk

Commodity prices fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes that a 10% movement in interest rates and foreign exchange rates that may reasonably be expected to occur over the next twelve-month period will not have a significant impact on the Company.
