



**FRONTIER LITHIUM INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

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## INTRODUCTION

This management's discussion and analysis ("MD&A") has been prepared as of July 27, 2023, and should be read in conjunction with Frontier Lithium Inc.'s (the "Company") financial statements for the year ended March 31, 2023 and 2022. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is Canadian dollars. Reference herein of \$ is to Canadian dollars and US\$ is to United States dollars.

## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

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 Company, constitute "forward-looking information" or "forward-looking statements" within the meaning of Canadian securities laws. Forward-looking statements 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 Company, 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 by 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, including but not limited to the risk factors contained under the heading "Risk Factors" in this MD&A and in the Company's Annual Information Form, 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.

Readers are cautioned that the foregoing lists of risk factors included in this MD&A are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by these cautionary statements. All forward-looking information in this MD&A speaks as of the date of this MD&A. The Company does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. All forward-looking information contained in this MD&A is expressly qualified in its entirety by this cautionary statement.

## CAUTIONARY NOTE TO U.S. INVESTORS

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ materially from the requirements of United States securities laws applicable to U.S. companies. For U.S. reporting purposes, the United States Securities and Exchange Commission (the "SEC") has adopted amendments to its disclosure rules in Regulation S-K (Subpart 1300) (the "SEC Modernization Rules") to modernize the mineral property disclosure requirements for issuers, referred to as "mining registrants," whose securities are registered with the SEC. These amendments became effective in February 2019 with compliance required for the first fiscal year beginning on or after January 1, 2021. While not applicable to the Company, the SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7. Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the SEC set forth in Industry Guide 7. In accordance with NI 43-101, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"). While the terms "mineral resource", "measured mineral resource",

“indicated mineral resource” and “inferred mineral resource” are recognized and required by NI 43-101, and now recognized under the SEC Modernization Rules, SEC Industry Guide 7 does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic viability. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured mineral resources or indicated mineral resources will ever be upgraded into mineral reserves.

## I. OVERVIEW OF FRONTIER LITHIUM INC.

The Company is a Canadian junior mining company actively focused on the acquisition, exploration and development of mineral resource properties in North America. The Company is domiciled in Canada and incorporated under the *Alberta Business Corporations Act*. The Company’s head office address is 2736 Belisle Drive, Val Caron, Ontario, P3N 1B3 and its registered office address is 1250, 639-5th Avenue S.W., Calgary, Alberta, T2P 0M9. The Company’s shares are publicly traded on the TSX Venture Exchange (“TSX-V”) under the symbol “FL”, the U.S. based OTCQX Venture Market under the symbol “LITOF” and the Frankfurt Stock Exchange under the symbol “HL2”.

## PROJECT OVERVIEW

The Company’s flagship asset is the 100% owned PAK Lithium Property (the “PAK Lithium Project”) located 175 km north of Red Lake, Ontario in the Red Lake Mining District and covers an area of 27,062 hectares comprising of three Mining Leases and 1,261 Mining Claims of which 1,258 are contiguous with the Mining Leases. 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 containing high levels of lithium in the mineral called spodumene. Chief among these known occurrences are the PAK and Spark pegmatite deposits, located at the southeastern end of the Electric Avenue on the Company’s PAK Lithium Project ([Figure 1](#)).



Figure 1: Project Location

The Company has been actively involved since February 2013 in the exploration and development of the PAK Lithium Project, which hosts at surface one of the highest quality spodumene lithium hard rock deposit in North America (Figure 2) at the PAK deposit. The PAK and Spark deposits combined are among the highest-grade resources with the lowest iron impurity levels in North America (e.g., iron levels less than 0.15% Fe<sub>2</sub>O<sub>3</sub> in the lattice of the spodumene crystals).



*Figure 2: Surficial Exposure of PAK deposit*

The Company published a Pre-Feasibility Study (PFS) on July 14<sup>th</sup>, 2023. The pre-tax base case financial model results in an internal rate of return (“IRR”) of 28.6% and a Net Present Value (“NPV”) of \$3,365M with a discount rate of 8%. The simple pre-tax payback period is 4.9 years. On an after-tax basis, the base case financial model results in an internal rate of return of 24.1% and an NPV of \$2,261M with a discount rate of 8%. The simple after-tax payback period is 4.9 years. The project models a fully-integrated lithium operation utilizing spodumene concentrate generated from the PAK Lithium Project to achieve downstream conversion for production of battery-quality lithium chemicals and concentrate for the glass and glass-ceramics market. Please refer to the NI 43-101 Technical report by BBA Engineering Ltd. (“BBA”) issued on July 14<sup>th</sup>, 2023, and filed under the Company’s profile on SEDAR (the “Technical Report”). The Company has completed in-fill drilling on the Spark deposit and work necessary to support the Pre-Feasibility Study (“PFS”) assessing a fully-integrated lithium operation. The Company’s proposed lithium operation includes the production of technical grade lithium concentrates required by premium glass-makers and chemical grade lithium concentrates required as feedstock for the planned production of both lithium carbonate and lithium hydroxide at a downstream lithium conversion plant.

## **BUSINESS OBJECTIVES**

The Company’s objective is to become a strategic domestic supplier of spodumene concentrates for industrial users as well as battery-grade lithium hydroxide and other chemicals to the growing electric vehicle and energy storage markets in North America. The Company maintains the largest land position and resource in a new premium lithium mineral district located in Ontario’s Great Lakes region.

## **LEADERSHIP TEAM**

The Company’s leadership team’s successful mining ventures include a multi-decade track record in funding, partnering, constructing and operating mining and refining companies in North America.



## II. HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2023 AND RECENT DEVELOPMENTS

### EXPLORATION

#### PHASE XII DRILL PROGRAM

Phase XII drill program on the Spark Pegmatite was initiated in May 2022 and completed in October 2022. The Company has completed 14,641.1m of drilling in 45 holes and has reported analysis from all drill holes as of February 8, 2023. The detailed results are available on SEDAR ([www.sedar.com](http://www.sedar.com)). The initial objective for the Phase XII drill program was conversion of inferred resource within the Spark deposit to indicated category in preparation for a pre-feasibility study on the PAK Lithium Project. The latter half of the program included geotechnical drilling for ground control and pit design purposes as well as step out drilling to define the eastern and western extents of the ore body.

The program was successful in that the in-fill drill hole intersections were as anticipated in both grades and width and the host rock appears relatively competent. Drilling also indicates that the Spark pegmatite remains open at depth and to the west. To the east, the pegmatite is beginning to pinch out but still remains open.

#### PHASE XIII DRILL PROGRAM

Phase XIII drill program commenced in February 2023 with four additional holes drilled at Spark collared in muskeg areas testing the southwestern extension of the deposit before delineating the Bolt pegmatite. Since February the Company has completed 11,310m in 46 Drill holes. A total of 2,233m were completed at the PAK deposit on geomechanical and hydrogeological test work in preparation of the definitive feasibility study. During the winter 2023, the Bolt pegmatite was delineated at widely spaced single hole fences. A total of 3,785m in 15 holes were completed for which results from the first two holes were released on May 9<sup>th</sup>, 2023. The remaining meterage was completed testing the area between the PAK deposit and the Bolt pegmatite.

#### REGIONAL MAPPING PROGRAM

Between May and August 2022, the Company conducted both detailed and regional mapping and prospecting in areas both proximal to known spodumene-bearing pegmatites and in under-explored areas within its approximately 27,000 hectare land tenure.

The mapping was completed using Panasonic Toughbook Tablets, running the GSC Field application. The field data was then compiled into ArcGIS. Assay samples were collected from potential lithium-bearing pegmatites.

The entire project area was covered at a regional scale. The winter road and the powerline right of way which traverse through much of the project area were extremely useful as a landing and pickup site. Initial results were release on January 31, 2023. A new spodumene-bearing pegmatite zone, 10 by 15m, was discovered approximately 1 km west-northwest of the Spark pegmatite. Grab samples averaged 3.1% Li<sub>2</sub>O. Prospecting and mapping in the Pennock pegmatite area discovered additional pegmatite dykes up to 30m in length and 3 to 5 m in width. Grab samples averaged 1.7% Li<sub>2</sub>O. Several other pegmatite veins and narrow dykes were located, however, spodumene was not confirmed and grab samples indicated background values.

Since May 2023, follow-up to the 2022 reconnaissance program, has been underway including more detailed prospecting/mapping and channel sampling.

#### OTHERS

During September 2022, a UAV (drone) aerial magnetic survey was flown over a 15 km<sup>2</sup> area encompassing the region PAK, Bolt, Spark and the new discovery west-northwest of Spark. Highly magnetic horizons are known to occur in the metasediments (banded iron formation) at PAK as well as the flanking metavolcanics. The data collected from the survey will be used in conjunction with LiDAR data to assist with the identification of geology and structure and to assess its usefulness for regional exploration.

The Company continues to work on environmental baseline studies, a step that will enable it to advance project permitting.

In January 2023, the Company entered into an arm's length purchase agreement to purchase a camp, together with inventories, for total proceeds of \$2.0 million to be settled as follows 1) \$0.5 million paid in February 2023, 2) \$1.25 million paid on June 1, 2023 on possession of the camp and 3) the remaining \$0.25 million payable on October 1, 2023.

## RESULTS OF PRE-FEASIBILITY STUDY

In May 2023, the Company released the strong results of a Pre-Feasibility Study ("PFS") for a proposed mine-to lithium chemical/hydromet plant facility ("Integrated Project") in the great Lakes Region of North America. The PFS assumes a hydromet plant that would convert spodumene concentrate feedstock sourced from a vertically integrated spodumene open-pit mining and milling facility at the Company's PAK Lithium Project, located north of Red Lake, Ontario. The PFS demonstrates pre-tax NPV of US \$2.59 billion discounted at 8%. The PFS confirms that the 100% owned Project could be the continent's largest and lowest-cost producer of lithium hydroxide able to supply the rapidly growing electric vehicle industry in North America.

The results of the PFS include a pre-tax net present value at an 8 percent discount rate of US\$2.59 billion with a pre-tax internal rate of return of 28.6 percent and a post-tax NPV at an 8 percent discount rate of US\$1.74 billion with a post-tax IRR of 24.1 percent.

The PFS is based on an updated mineral resource estimate completed by Todd McCracken, P.Geo, outlined in the National Instrument 43-101 technical report update.

Commodity Price Assumptions from the PFS are, base-case premium technical grade lithium concentrate of 7.2% Li<sub>2</sub>O (TG\_SC7.2) price of US\$3,000 per tonne, chemical grade lithium concentrate of 6.0% Li<sub>2</sub>O (CG\_SC6.0) price of US\$1,350 per tonne; lithium hydroxide price of US\$22,000 per tonne; lithium carbonate US\$20,500 per tonne and an exchange rate of \$1.30 USD/CAD.

## LITHIUM CHEMICAL TEST WORK DEVELOPMENT

For the purpose of the PFS, the Company is assessing the conventional sulphate process for the lithium chemicals conversion plant which is low-risk and used extensively in East Asia for manufacturing lithium carbonate and hydroxide from hard-rock spodumene sources. Following conversion of the  $\alpha$ -spodumene concentrate to  $\beta$ -spodumene through calcining and acid roasting lithium sulfate solution is obtained by leaching whereby it is further purified through precipitation and an ion exchange process to remove the remaining trace impurities from the solution. The concentrated pure lithium sulfate solution is then used as a starting solution for the production of both lithium carbonate and lithium hydroxide monohydrate.

In the lithium carbonate circuit, the lithium sulfate solution is mixed with a sodium carbonate solution to form lithium carbonate and sodium sulfate. The lithium carbonate is precipitated under controlled conditions (i.e. temperature and time) to get the primary lithium carbonate. The sodium sulfate is crystallized as a by-product in a crystallizer. The primary crude lithium carbonate is then further purified to meet the exacting battery grade standards to get the final battery grade product.

In the lithium hydroxide circuit, sodium hydroxide solution is added into the lithium sulfate solution to form lithium hydroxide and sodium sulfate. Sodium sulfate is then removed from the solution. The remaining lithium hydroxide solution is evaporated to produce lithium hydroxide crystals. The crystallization process is designed to produce battery grade lithium hydroxide products.

## BOUGHT DEAL PROSPECTUS OFFERING

On November 10, 2022, the Company closed a bought deal prospectus offering and issued 10,465,000 units of the Company, including 1,365,000 units issued to underwriters for over-allotment option at a price of \$2.20 per unit, representing total gross proceeds of \$23.0 million.

The Offering was completed through a syndicate of underwriters co-led by RBC Capital Markets and Goldman Sachs Canada Inc. (the "Joint Bookrunners"), and including BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Cormark Securities Inc. and Stifel Nicolaus Canada Inc. (collectively with the Joint Bookrunners, the "Underwriters"). The Underwriters received a cash commission equal to 5.5% of the gross proceeds of the Offering.

Each Unit consists of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant of the Company totaling to 10,465,000 common shares and 5,232,500 warrants. Each Warrant will entitle the holder thereof to purchase one common share of the Company (a "Warrant Share") at a price of \$2.75 for a period of 36 months following the closing of the Offering.

The net proceeds of the Offering will be used by the Company to fund exploration and development activities at the PAK Lithium Project, located in Northwestern Ontario, as well as general administration and corporate purposes.

## CORPORATE LEADERSHIP TEAM CHANGES

In February 2023, the Company appointed Mr. Graeme Goodall as its Vice President of Operations. Mr. Goodall is a Professional Engineer with a designation in Metallurgical Engineering. He holds a doctorate degree, master's degree and bachelor's degree in Materials Engineering from McGill University in Montreal, Quebec. Mr. Goodall brings over twenty years of experience focused on metallurgy, pyrometallurgy and extractive operations for multi-national mining and metals producers, including Glencore, Vale, Rio Tinto and Noranda. His most recent position was Manager, Pyrometallurgy and Furnace Integrity at Glencore XPS in Sudbury and prior to that was Interim Technical Director and Superintendent, Furnace Integrity at Koniambo SAS in New Caledonia.

In April 2023, the Company announced the resignation of Mr. Tony Zheng, who has served as CFO, due to personal reasons. Frontier has appointed Mr. John Didone, a long-time member of its Board of Directors, as the Acting Chief Financial Officer. Mr. Zheng will provide advisory services for a period of time to support Mr. Didone and ensure a smooth transition. Mr. Didone will hold this position until a replacement has been appointed. Mr. Didone was a Partner at SRWC LLP, Chartered Professional Accountants based out of Sudbury, Canada. He has been with the firm since 1980 and over this time has gained considerable insight of business affairs, in particular his demonstrated experience offering professional advice on the expansion of national companies. Mr. Didone is familiar with Frontier's strategic goals, staged growth strategy and has experience working with mining and construction sectors. He graduated from Laurentian University's Commerce program earning an HBCom. and maintains designations and/or certifications as a CPA, CA, CMA.

In June 2023, the Company appointed Mr. Gregory Da Re as Vice President of Corporate Development. Mr. Da Re brings a deep understanding of electric vehicle battery supply chains and brings two decades of experience as an accomplished investment executive. During his time at Invest in Canada, the Government of Canada's global investment attraction agency, Mr. Da Re managed a pipeline of over \$20 billion as the federal client-focused lead for Ontario's efforts to attract and build an EV supply chain within the province, including investments to create Canada's first EV battery gigafactory in Windsor (JV between LG Energy Solution and Stellantis), Umicore's first North American cathode active materials production facility near Kingston, and VW/PowerCo's first gigafactory in North America in St. Thomas.



### III. RESULTS OF OPERATIONS

#### SELECTED ANNUAL INFORMATION

The following table represents select financial and operating results of our company for the years ended March 31, 2023, and 2022

(in thousands of Canadian dollars, except for shares and per share figures)

	2023	2022
<b>EXPENSES</b>		
Exploration and evaluation expenditures	\$ 14,193	\$ 4,261
General and administrative expenses	10,622	7,117
Interest income	(622)	-
Accretion expense on lease liabilities	35	3
Fair value loss on marketable securities, net	9	1
Foreign exchange gain	(5)	(46)
<b>Loss before tax</b>	<b>(24,232)</b>	<b>(11,336)</b>
Deferred income tax recovery	-	(385)
<b>Net loss and comprehensive loss</b>	<b>\$ (24,232)</b>	<b>\$ (10,951)</b>
<b>Net loss per share</b>		
Basic and diluted	\$ (0.11)	\$ (0.06)
<b>Total cash used in Operations activities</b>	<b>\$ (17,349)</b>	<b>\$ (7,341)</b>
<b>Total cash used in Investing activities</b>	<b>(365)</b>	<b>(4,147)</b>
<b>Total cash provided by Financing activities</b>	<b>27,402</b>	<b>18,826</b>
<b>Net change in cash and cash equivalents</b>	<b>\$ 9,688</b>	<b>\$ 7,338</b>

The Company reported a net loss and comprehensive loss of \$24.2 million (\$0.11 per share) for the year ended March 31, 2023, compared to a loss and comprehensive loss of \$10.9 million (\$0.06 per share) for the year ended March 31, 2022 resulting in an increase of \$13.3 million. The increase is a net result of an increase of \$9.9 million in the exploration and evaluation expenditures which was mainly due to the Company's continued ramp up of its exploration activities and metallurgical test work for the PFS, and an increase of \$3.4 million in expenses related to salaries and benefits and shares-based compensations for increased headcount and the Company's commitment to talent retention by offering competitive compensation structure and performance-based incentives.

On a year-to-date basis, the Company reported a net cash inflow of \$9.6 million, an increase of \$2.3 million net cash inflow when compared to prior fiscal year. The increase of cash inflow was mainly due to an increase of \$8.5 million from issuance of common shares and warrants net of issuance cost, a decrease of \$3.8 million used in investing activities, more than offset by an increase of \$10 million in the cash used for operating activities.

**Exploration and evaluation expenditures on the PAK Lithium Property**  
(in thousands of Canadian dollars)

	2023	2022
Personnel cost	\$ 1,420	\$ 850
Consulting fees	4,429	1,012
Drilling	3,034	589
Assay and sampling	596	88
Research and development, net of government assistance <sup>(1)</sup>	1,101	678
Camp and equipment expenses	1,846	712
Travel and transportation cost	1,767	332
<b>Total exploration and evaluation expenditures</b>	<b>\$ 14,193</b>	<b>\$ 4,261</b>

<sup>1</sup> Government assistance for research and development is \$Nil for year ended March 31, 2023 (\$329 for the year ended March 31, 2022).

The Company reported total exploration and evaluation expenditures of \$14.1 million for the year ended March 31, 2023. There was an overall increase when compared to \$4.2 million for the year ended March 31, 2022. The increase from comparable period is mainly due to the Company's continued ramp up of its exploration activities and metallurgical test work for the PFS.

**General and Administrative Expenses**  
(in thousands of Canadian dollars)

	2023	2022
Salaries, benefits and consulting	\$ 2,355	\$ 1,640
Share-based payments	6,571	4,500
Professional fees	187	220
Office, administration and other	1,024	611
Shareholder related fees	154	41
Depreciation	331	105
<b>Total general and administrative expenses</b>	<b>\$ 10,622</b>	<b>\$ 7,117</b>

The Company reported a total general and administrative expenses of \$10.6 million for the year ended March 31, 2023, an increase of \$3.5 million when compared to the comparative last fiscal year. The increases in general and administrative expenses from both comparable periods were mainly attributable to an increase in salaries and benefits and share-based compensation. This increase can primarily be attributed to two key factors: the expansion of our workforce through increased headcount and the Company's commitment to talent retention by offering competitive compensation structure and performance-based incentives.

**SELECTED QUARTERLY INFORMATION**

A summary of selected financial information for the eight recently completed quarters is presented below. During the year ended March 31, 2022, the Company changed its accounting policy for exploration and evaluation expenditures to expense them as incurred. Management considered that this retrospectively applied change in accounting policy will result in clearer, more relevant and reliable financial information by reducing financial reporting complexity. Under the previous accounting policy, exploration and evaluation expenditures were capitalized. Please see the note 15 of the Company's audited financial statements for the year ended March 31, 2022 for details.

(in thousands of Canadian dollars, except for shares and per share figures)

<b>For the quarter ended</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Income from operations	\$Nil	\$Nil	\$Nil	\$Nil
Exploration and evaluation expenditures	\$(5,061)	\$(2,179)	\$(4,332)	\$(2,621)
General and administrative expenses	\$(2,660)	\$(4,874)	\$(692)	\$(2,396)
Interest income	\$313	\$256	\$53	-
Loss before tax	\$(7,411)	\$(6,809)	\$(4,982)	\$(5,030)
Deferred income tax recovery	-	-	-	-
Net loss and comprehensive loss	\$(7,411)	\$(6,809)	\$(4,982)	\$(5,030)
Weighted average number of shares outstanding	225,568,296	219,429,659	212,816,365	210,840,426
Net loss per share, basic and diluted	\$(0.03)	\$(0.03)	\$(0.02)	\$(0.02)

<b>As at</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>
Cash and cash equivalents	\$27,371	\$30,156	\$13,320	\$16,743
Working capital <sup>(1)</sup>	\$27,236	\$30,215	\$11,633	\$16,108
Exploration and evaluation assets	\$5,426	\$5,426	\$5,426	\$5,426
Total assets	\$35,197	\$37,352	\$20,274	\$23,614
Total liabilities	\$1,957	\$1,401	\$2,921	\$1,770
Equity	\$33,240	\$35,951	\$17,353	\$21,844

(1) See Section XIII for details.

<b>For the quarter ended</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Income from operations	\$Nil	\$Nil	\$Nil	\$Nil
Exploration and evaluation expenditures	\$(1,896)	\$(1,076)	\$(666)	\$(623)
General and administrative expenses	\$(2,188)	\$(1,140)	\$(1,567)	\$(2,222)
Loss before tax	\$(4,065)	\$(2,165)	\$(2,229)	\$(2,877)
Deferred income tax recovery	\$179	\$27	\$87	\$92
Net loss and comprehensive loss	\$(3,885)	\$(2,139)	\$(2,142)	\$(2,785)
Weighted average number of shares outstanding	204,807,969	198,956,929	195,609,687	191,193,214
Net loss per share, basic and diluted	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)

As at	March,31 2022	December 31, 2021	September 30, 2021	June 30, 2021
Cash and cash equivalents	\$17,683	\$18,199	\$7,956	\$8,968
Working capital <sup>(1)</sup>	\$17,559	\$17,768	\$7,307	\$8,216
Exploration and evaluation assets	\$5,426	\$5,426	\$5,426	\$5,426
Total assets	\$24,628	\$24,113	\$13,960	\$14,823
Total liabilities	\$1,310	\$788	\$1,084	\$1,035
Equity	\$23,318	\$23,323	\$12,876	\$13,788

<sup>(1)</sup> See Section XIII for details.

### Exploration and evaluation expenditures on the Pak Lithium Property

(in thousands of Canadian dollars)

For the quarters ended	March 31, 2023	March 31, 2022
Personnel cost	\$298	\$283
Consulting fees	\$2,422	\$401
Drilling	\$533	\$414
Assay and sampling	\$138	\$32
Research and development	\$508	\$396
Camp and equipment expenses	\$910	\$466
Travel	\$252	\$32
Total	\$5,061	\$1,794

The Company reported a net loss and comprehensive loss of \$7.4 million (\$0.03 per share) for the quarter ended March 31, 2023, compared to a loss of \$3.9 million (\$0.02 per share) for the prior comparable quarter last fiscal year for an increase of \$3.5 million. The increase was mainly due an increase of \$3 million in the exploration and evaluation expenditures. The increase in the exploration and evaluation expenditures was mainly due to the Company's continued ramp up of its exploration activities and metallurgical test work for the PFS which was completed in October 2022 and Phase XIII drilling which started in February 2023.

Over the last eight quarters, the Company raised funds several times other than exercises of stock options and warrants: (i) a private placement of 1,822,708 units at \$1.30 per unit ("the Units") for total gross proceeds of \$2.4 million in April 2021, whereby each unit consisted of one common share and one half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$1.50 per share for a period of 24 months; and (ii) a bought deal private placement of 6,453,000 flow-through common shares at a price of \$1.86 per share for total gross proceeds of \$12.0 million in December 2021. (iii) In November 2022, the Company issued 10,465,000 units in a bought deal prospectus offering, including 1,365,000 Units issued in connection with the exercise in full of the over-allotment option granted to the underwriters in connection with the Offering, at a price of \$2.20 per Unit for total proceeds of \$23 million. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company at a price of \$2.75 for a period of 36 months following the closing of the offering. A total of 5,232,500 warrants were issued and they were valued at \$5.2 million. The Company also incurred an issuance cost of \$1,528, including 5.5% cash commission paid to the underwriters, which \$1,184 and \$344 were allocated to shares issuance cost and warrant issuance cost, respectively.

These successful financings strengthened the Company's cash and working capital positions which enabled the Company to ramp up its exploration activities and metallurgical test work for the PEA completed

in April 2021 and advancement of the PFS. The Company has spent all the proceeds from the Pre-November 2022 as disclosed and intends to spend the remaining proceeds from the November 2022 financing as disclosed.

#### IV. OUTLOOK

The Company's objective is to become a strategic supplier of technical grade spodumene concentrates for premium glass and glass-ceramics producers and battery-grade lithium hydroxide and other lithium chemicals to the growing electric vehicle and energy storage markets in North America.

The PAK Lithium Project is one of the highest quality lithium spodumene mineral resources in North America due to its high lithium content and low impurities. Low iron spodumene is less common than higher iron spodumene increasing its market value when processed into ceramic grade concentrates. The low iron spodumene is also particularly well suited to producing the high-quality lithium concentrates used to produce battery quality lithium chemicals. Spodumene has a cost advantage over the alternative brine sources that require extra chemical processing conversion steps when used to produce lithium hydroxide.

The Company is primarily in an exploration phase with a pre-feasibility study showing a positive NPV for fully-integrated lithium operation. The positive results of the PFS are based on the traditional, low risk spodumene processing flowsheet described in the lithium chemical development section.

The PFS shows a phased development approach. Phase 1 of the project shows mine and mill to initially produce premium spodumene concentrates. The Phase 2 plan would increase mine and mill production to feed a downstream refinery to produce lithium chemicals for the energy storage and electric vehicle battery market.

On May 31, 2023, the Company announced that a demo/pilot lithium chemical plant will be constructed in the Grand Sudbury area. This demo plant will be used to test and prove the process being used in the future commercial plant, to produce battery grade of lithium chemicals for the samples used for qualification process for downstream cathode makers and battery makers, to test in-house innovations, to train operators and to act as an R&D base for the future commercial lithium chemical plant.

To advance its plans, the Company will seek to negotiate agreements with the holders of Indigenous interests proximal to the PAK Lithium Project. The agreements will likely cover a variety of subjects, including the facilitation of development work on its property interests. The intent of these agreements is to go beyond the agreements already in place for the exploration phase of mining. The agreements will have costs associated with them, costs that are not fully known at this time.

#### V. LIQUIDITY AND CAPITAL RESOURCES

The primary objectives of the Company's capital management policy are to ensure that the Company raises sufficient funds in order to execute its business plan which is designed to maximize shareholder value.

Since inception, the Company has relied primarily on equity financings to fund its operations. The Company has had recurring operating losses since inception. See "Risk Factors" section and for further details on the risk factors affecting the Company, please see the Company's Amended Annual Information Form for the year ended March 31, 2022 filed on SEDAR on September 13, 2022.

The Company expects it will have sufficient capital to complete the PFS. The Company raised \$23.0 million on a gross basis (approximately \$21.5 million, net of issuance cost) through a bought deal prospectus offering in November 2022 in order to fund general administration and corporate expenditures and to advance Phase 1 of the DFS (technical grade concentrate production) and some key programs that support a Phase 2 DFS (battery grade lithium chemicals production), following delivery of a positive PFS.

The Company considers the following items as capital: Cash and cash equivalents, share capital and contributed surplus in the amount of \$141.5 million (March 31, 2022 - \$97.7 million).

When managing capital, which is a broader concept than the "equity" in the statement of financial position, the objectives of the Company are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the exploration for and development of its mineral deposits.

There have been no changes in the Company's capital management when compared to the prior year except that management transferred approximately \$26.5 million cash to high interest rate Guaranteed Investment Certificate ("GIC") accounts as at year ended March 31, 2023 which would generate higher interest income thereby offset operating costs. Management intends to optimize its cash management while continuing to fulfill its operating cash needs.

Liquidity risk is the risk that the Company will not be able to meet its payment obligations when they fall due under normal and stress circumstances. The Company monitors its liquidity risk by considering the maturity of its financial liabilities. The Company's ability to access debt and equity markets when required may be impacted by factors beyond its control, such as economic and political conditions that may affect the capital markets generally.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future. Should management be unable to raise sufficient capital to fund operations and growth there would be a material adverse effect on the Company's business, financial condition, results of operations and its ability to continue as a going concern.

## VI. CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

### CONTRACTUAL OBLIGATIONS

Our future undiscounted obligations as at March 31, 2023 are as follows:

<b>At December 31, 2022</b>	<b>Due within 1 year (\$000)</b>	<b>Due between 1 and 5 years (\$000)</b>	<b>Total (\$000)</b>
Accounts payable and accrued liabilities	1,837	-	<b>1,837</b>
Lease obligations	54	66	<b>120</b>
<b>Total</b>	<b>1,891</b>	<b>66</b>	<b>1,957</b>

### COMMITMENTS AND CONTINGENCIES

From 2016 to 2019, the Company entered into four exploration agreements with First Nation communities situated near the PAK Lithium Project. The obligations under the agreements have been made to date. The Company currently has no capital expenditure commitments as at March 31, 2023.

In January 2023, the Company entered into an arm's length purchase agreement to purchase a camp, together with inventories, for total proceeds of \$2.0 million to be settled as follows 1) \$0.5 million paid in February 2023, 2) \$1.25 million paid on June 1, 2023 on possession of the camp and 3) the remaining \$0.25 million payable on October 1, 2023.

### OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements at the date of this MD&A.

## VII. FINANCIAL INSTRUMENTS

The Company does not currently utilize complex financial instruments in hedging lithium price, foreign exchange or interest rate exposure. The Company will not hold or issue derivative instruments for speculation or trading purposes.

Where the fair value of financial assets and financial liabilities recorded in the financial statements cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments



include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When measuring the fair value of an asset or liability, the Company uses observable market data to the greatest extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth our financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy.

	Level	March 31, 2023		March 31, 2022	
		Carrying value (\$000)	Fair value (\$000)	Carrying value (\$000)	Fair value (\$000)
<b>Financial asset fair valued through profit and loss</b>					
<i>Marketable securities</i>	2	-	-	9	9

During current fiscal year, there were no transfers between Level 1 and Level 2 fair value measurements. The Company does not have any financial assets or liabilities that are fair valued based on unobservable inputs (Level 3).

## VIII. RELATED PARTY TRANSACTIONS

Key management personnel include members of the Board of Directors and certain senior officers. Remuneration of our key management personnel was as follows:

	For the year ended March 31,	
	2023 (\$000)	2022 (\$000)
Compensation – salaries, benefits and consulting	\$ \$ 1,878	\$ 558
Share-based compensation	5,903	3,543
<b>Total</b>	<b>\$ \$ 7,781</b>	<b>\$ 4,101</b>

Included in accounts payable is \$65,000 (March 31, 2022 - \$57,000) owing to corporations controlled by a director of the Company.

During the year ended March 31, 2023, the Company purchased exploration equipment from a corporation controlled by a director of the Company at the exchange amount of \$297,000 agreed by both parties in the normal course of operation.

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.

## IX. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are discussed in Note 2 “Basis of Preparation” of the Company’s year ended March 31, 2023 audited financial statements.

## NEW ACCOUNTING POLICIES

The New accounting policies issued but not effective are discussed in 2(r) "Changes in accounting policies" of the Company's year ended March 31, 2023 audited financial statements.

## X. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting judgements, estimates and assumptions are discussed in Note 3 of the Company's year ended March 31, 2023, audited financial statements.

## XI. RISK FACTORS

The Company's business activities are subject to a variety and wide range of inherent risks and uncertainties. Any of these risks could have an adverse effect on the Company, its business and prospects, and could cause actual outcomes and results to differ materially from those described in forward-looking statements relating to the Company.

### 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. Although the discovery of a deposit can prove to be extremely lucrative, few properties where exploration and development work are carried out become producing mines thereafter. Significant 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 Company will generate a profit. The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

### Forward-Looking Statements may Prove Inaccurate

Readers are cautioned not to place undue reliance on forward-looking information included herein or in the continuous disclosure of the Company. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See "Forward-Looking Statements" section for details.

## RISKS RELATING TO THE COMPANY

### Exploration, Development and Operating Risks

The Company is in the process of exploration and development of its properties and has not yet generated any revenues from production. The recovery of expenditures on mineral properties and the related exploration and evaluation expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its projects, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Resource exploration is highly speculative in nature, includes risks and frequently is non-productive. The Company's proposed lithium operation includes the production of technical grade lithium concentrates required by premium glass-makers and chemical grade lithium concentrates required as feedstock for the planned productions of both lithium carbonate and lithium hydroxide at a downstream lithium conversion plant. These final products sold to the battery market must meet stringent chemical requirements with tight controls over impurities. There is no assurance that the Company's efforts will be successful and will result in commercial production or profitability.

### Uncertainty of Mineral Resources

The figures for mineral resources and reserves estimates disclosed in any continuous disclosure documents of the Company, are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and metal prices may render resources uneconomic. The Company's mineral projects are in the exploration stage. Until mineral resources on these exploration properties are categorized as "mineral reserves" under

NI 43-101, the known mineralization at these projects is not determined to be economic. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditures made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that mineral reserves will be mined or processed profitably. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic.

### **Going Concern and Insolvency Risk**

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company 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 Company is an early-stage mine developer currently focused on exploration with no cash flow. It is subject to elevated risks common in such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, and financial and other resources. Given this, there is no assurance that the Company will be successful in achieving a return on shareholders' investments. The Company has no assurance that additional funding will be available to it for further exploration and development of its PAK Lithium Project when it is required. Although the Company has been successful in obtaining financing through the sale of equity securities, there is no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing would be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its assets. However, the Company 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 Company's cash is held in business accounts with a Canadian bank. Management believes that liquidity risk is moderate. The Company manages liquidity risk through the management of its capital structure and continuously monitors actual and projected cash flows.

### **Mineral Titles**

The Company is satisfied that evidence of title to the PAK Lithium Property is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the PAK Lithium Property. The Company may face challenges to the title the PAK Lithium Property or subsequent properties it may acquire, which may prove to be costly to defend or could impair the advancement of the Company's business plan.

### **Operating Risks**

The Company's operations are subject to all of the hazards and risks normally incidental to the exploration for, and the development and operation of, mineral properties. The Company has implemented comprehensive health and safety measures designed to comply with government regulations and protect the health and safety of the Company's workforce in all areas of its business. Nonetheless, mineral exploration, development and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Unusual or unexpected formations, formation pressures, fires, power outages, shutdowns due to equipment breakdown or failure, aging of equipment or facilities, unexpected maintenance and replacement expenditures, human error, labour disruptions or disputes, inclement weather, higher than forecast precipitation, flooding, shortages of water, explosions, releases of hazardous materials, deleterious elements materializing in mined resources, tailings impoundment failures, cave-ins, slope and embankment failures, landslides, earthquakes, industrial accidents and explosions, protests and other security issues, and the inability to obtain adequate machinery, equipment or labour due to shortages, strikes or public health issues such as pandemics, are some of the risks involved in mineral exploration and exploitation activities, which may, if as either a significant occurrence or a sustained occurrence over a significant period of time, result in a material adverse effect. The Company expects to rely on third-party owned infrastructure in order to successfully develop and operate its projects, such as power, utility and transportation infrastructure. Any failure of this infrastructure without adequate replacement or alternatives may have a material impact on the Company.

### **Infrastructure Risks**

The PAK Lithium Project is located 175 km north of Red Lake, Ontario, on Crown land, in a relatively isolated region, with basic infrastructure. Access to the PAK Lithium Project occurs from approximately May

15 (after break-up) to October 15 (5 months) via float plane, and from February 1 to March 15 (1.5 months) via the winter roads. A future source of power, the Watay Power Project, which traverses over the Company's PAK Lithium Project, is expected to be completed and could provide power to the PAK Lithium Project via Ontario's electrical power grid, but there is no assurance of this completion or of the Company utilizing this power source. The Company has also initiated a scoping study to assess the construction of all-season roads which would follow the corridor used by the Watay Power Project. However, currently consistent and reliable access via airplane or winter roads to the PAK Lithium Project is not assured or guaranteed nor is the completion of the Watay Power Project. Delays in the completion or the nondevelopment of these said infrastructure projects could have a material adverse effect on the Company's business, financial position and results of operations.

### **Permits, Licences and Authorizations**

The activities of the Company require obtaining on a timely manner and maintaining permits and licenses from various governmental authorities. The Company 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 Company 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.

### **Loss of Interest in Properties**

The Company's ability to maintain an interest in the properties optioned or owned by the Company will be dependent on its ability to complete all required works and to make all necessary payments to hold these interests. Failure to make necessary payments and/or obtain additional financing may result in the Company being unable to complete the required work required to keep the property interests in good standing and could result in the delay or postponement of further exploration and or the partial or total loss of the Company's interest in the PAK Lithium Property.

### **Indigenous Title Land Claims**

Indigenous rights have been conferred. The Company's property interests may now or in the future be the subject of Aboriginal or Indigenous land claims. The legal nature of Aboriginal title claims is a matter of considerable complexity and case law. The impact of any such claim on the ownership interest through negotiated settlement with the crown or through judicia pronouncement could have an adverse effect on the Company's activities. Beyond the exploration agreements that exist between Aboriginal interests in the area and the Company, the Company will seek to negotiate agreements with the holders of Aboriginal interests on a variety of subjects including facilitation of development work on its property interests. There is no assurance that the Company will be successful negotiating those agreements and the failure to do so could have negative implication on its ability to develop its property interests in a timely manner.

### **Local Resident Concerns**

The exploration and development of the Company's projects could be subject to resistance from local residents that could prevent or delay exploration and development of its properties.

### **Insurance Risks**

Exploration, development, and production operations on resource properties involve numerous risks, including unexpected or unusual geological and/or operating conditions, fires, floods, earthquakes and 23 other environmental occurrences, any of which could result in damage to, or destruction of, producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares.

### **Key Person Insurance**

The Company does not maintain key person insurance on any of its directors or officers, and as result the Company would bear the full loss and expense of hiring and replacing any director or officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by the Company from such loss of any director or officer.

### **Litigation Risks**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit and relating to a variety of causes including environmental, financial, operational and other causes of action. At this time, the Company is not aware of any material litigation matters that have not been publicly disclosed.

### **Dependence on Management**

The success of the Company is dependent on the contributions of the individuals that make up its management team. The loss of services from an individual could have an unfavorable, short-term impact on the Company. Management maintains a strong equity position in the Company incentivizing their continued contributions, therefore this risk is considered to be low.

### **Risks of Relying on Consultants**

The Company has relied on, and may continue to rely on, consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants are competent and that they have carried out their work in accordance with internationally recognized industry standards. However, if the work conducted by those consultants is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

### **Conflicts of Interest**

Some of the directors and officers of the Company are engaged as directors or officers of other companies 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 Company will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Company and these other companies. 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.

### **Cyber Security Risks**

As the Company continues to increase its dependence on information technologies to conduct its operations, the risks associated with cyber security also increase. The Company relies on management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm its operations and materially adversely affect its operation results, Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error. The Company has implemented security procedures and measures in order to protect its systems and information from being vulnerable to cyber-attacks. The Company believes these measures and procedures are appropriate. To date, it has not experienced any material impact from cyber security events. However, it may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications.

### **Tax Risk**

The Company is subject to various taxes including, but not limited to the following Canadian taxes: income tax; goods and services tax; sales tax; land transfer tax; payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

## RISKS RELATING TO THE MARKET

### **Price of Lithium Salts and Spodumene Concentrates**

Fluctuations in the price of lithium salts and spodumene concentrates and their substitutes could have material impacts on the financial results of the Company, the ability of the Company to finance its activities and the price of its common shares. Lithium prices are affected by numerous factors beyond the Company's control, including producer hedging activities, the relative exchange rate with other major currencies, global and regional demand, and political and economic conditions. Worldwide lithium production levels also affect the pricing of this commodity, and prices are occasionally subject to rapid short-term changes due to speculative activities. Other market factors that pose commodity price risks to the Company include interest rate increases, inflation or deflation. Despite having the rare technical grade spodumene from the PAK deposit, price fluctuations may have material impacts on the financial results of the Company. The Company does not actively manage its exposure to price risk associated with these commodities and will not do so until it achieves production, if it does at any point in the future.

Lithium is considered an industrial mineral and the sales prices for the different lithium compounds are not public. Lithium is not a traded commodity like base and precious metals. Sales agreements are negotiated on an individual and private basis with each different end-user. In addition, there are a limited number of producers of lithium compounds and it is possible that these existing producers will try to prevent newcomers from entering the chain of supply by increasing their production capacity and lowering sales prices. Factors such as foreign currency fluctuation, supply and demand, industrial disruption and actual lithium market sale prices could have an adverse impact on operating costs and stock market prices and on the Company's ability to fund its activities. To the extent that markets for different lithium compounds do not develop in the manner contemplated by the Company, then the long-term growth of lithium products will be adversely affected, which would inhibit the potential for development of the Company's properties, their potential commercial viability and would otherwise have a negative effect on the business and financial condition of the Company.

### **Competition**

The mining industry is intensely competitive in all its phases. The Company competes for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than the Company. The competition in the mineral exploration and development business could have an adverse effect on the Company's ability to hire or maintain experienced and expert personnel or acquire suitable properties or prospects for mineral exploration in the future.

### **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 Company'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 Company is headquartered and has its mineral resources within Canada, thereby eliminating the majority of its sovereign and foreign exchange risk. Management therefore believes at the current state of exploration and development its risk management policy is adequate.

### **Credit Risk**

Credit risk refers to the risk that a 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. The Company currently has no exposure to credit, and therefore no credit risk.

### **Governmental Regulation**

The activities of the Company are subject to various federal, provincial and municipal 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 municipal levels



relating to the protection of the environment. Such laws impose high standards on the mining and chemicals industry. Companies are expected to control the waste water and materials 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.

### **Environmental and Safety Regulations and Risks**

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Company generally relies on recognized designers and development contractors from which the Company will, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

### **Climate Change**

The Company acknowledges climate change and that the increased regulation of greenhouse gas emissions may adversely affect the Company's operations and related legislation is becoming more stringent. The effects of climate change or extreme weather events may cause prolonged disruption to the delivery of essential commodities which could negatively affect production efficiency.

The Company makes efforts to mitigate climate risks by ensuring that extreme weather conditions are included in its emergency response plans. However, there is no assurance that the response will be effective, and the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

### **Public Health Crisis Related Risk**

In response to the COVID-19 pandemic, the Company has implemented precautionary measures at its corporate office, including limiting visits to essential personnel and ensuring proper protocols around sanitation and social distancing.

The Company may be adversely affected by other public health crises and other events outside its control. Public health crises, such as epidemics and pandemics, acts of terrorism, war or other conflicts and other events outside of the Company's control, may adversely impact the activities of the Company as well as operating results. In addition to the direct impact that such events could have on the Company's facilities and workforce, these types of events could negatively impact capital expenditures and overall economic activity in impacted regions or, depending on the severity of the event, globally, which could impact the demand for and prices of commodities. A prolonged continuance of a public health crisis could also have a material adverse effect on overall economic growth and impact the stability of the financial markets and availability of credit. Any of these developments could have a material adverse effect on the Company's business, financial position, liquidity and results of operations.

### **Conflict in Ukraine and International Response**

The recent outbreak of hostilities in Ukraine, and the accompanying international response including economic sanctions, has been extremely disruptive to the world economy, with increased volatility in commodity markets, including higher oil and gasoline prices, international trade and financial markets, all of which have a trickle-down effect on supply chains, equipment and construction. There is substantial uncertainty about the extent to which this conflict will continue to impact economic and financial affairs, as

the numerous issues arising from the conflict are in flux and there is the potential for escalation of the conflict both within Europe and globally. There is a risk of substantial market and financial turmoil arising from the conflict which could have a material adverse effect on the economics of the Company's projects, and the Company's ability to operate its business and advance project development.

## RISKS RELATING TO THE SECURITIES OF THE COMPANY

### Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of Common Shares distributed hereunder will be affected by such volatility.

### Resale of Common Shares

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the Common Shares purchased would be diminished.

### Dilution

Additional financing needed to continue funding the development and operation of the Company may require the issuance of additional securities of the Company. 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.

### Dividends

The Company 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 Company's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Company or its subsidiaries incur. As a result, investors may not receive any return on an investment in the Company's securities unless they sell the securities for a price greater than that which they paid for them.

## XII. QUALIFIED PERSON

Unless stated otherwise herein, all scientific and technical data contained in this MD&A has been reviewed, approved and verified by Garth Drever, P.GEO. who is the Company's in-house "Qualified Person" within NI 43-101 and is a member in good standing of the Professional Geoscientists Ontario. Mr. Drever is also the Company's Vice President, Exploration. Therefore, he is not considered to be independent under NI 43-101.

## XIII. USE OF NON-GAAP FINANCIAL MEASURES AND RATIOS

The Company's financial results are prepared in accordance with IFRS. This document refers to a non-GAAP financial measure "working capital" which is not a measure recognized under IFRS in Canada and that does not have a standardized meaning prescribed by IFRS or by Generally Accepted Accounting Principles ("GAAP") in the United States.

This non-GAAP financial measure does not have standardized meanings under IFRS, may differ from those used by other issuers, and may not be comparable to similar financial measure reported by other issuers. This financial measure has been derived from the Company's financial statements and applied on a consistent basis as appropriate. The Company discloses this financial measure because it believes they

assist readers in understanding the result of the Company's operations and financial position and provide further information about the Company's financial results to investors.

This measure should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

**Working capital:** the difference between current assets and current liabilities.

#### XIV. INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and acting Chief Financial Officer ("CFO") have established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the corresponding certificate for venture issuers does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers of the Company do not make any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

The Company's CEO and acting CFO are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the corresponding certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### XV. OUTSTANDING SHARE DATA

As at July 27, 2023, the Company had 227,627,041 common shares issued and outstanding, and 19,375,718 stock options and 6,127,822 warrants outstanding.

#### XVI. OTHER INFORMATION

Additional information regarding the Company is available on the Company's website ([www.frontierlithium.com](http://www.frontierlithium.com)) and on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### FRONTIER LITHIUM INC.

Trevor R. Walker, President & CEO  
July 27, 2023