

Frontier Lithium Inc.
Financial Statements
For the years ended March 31, 2021 and 2020

Frontier Lithium Inc.
Financial Statements
For the years ended March 31, 2021 and 2020

Contents

Auditor's Report	2 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Changes in Shareholders' Equity	6
Statement of Operations, Comprehensive Loss and Deficit	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 47

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Frontier Lithium Inc.**

Opinion

We have audited the financial statements of **Frontier Lithium Inc.** (the Company), which comprise the statement of financial position as at March 31, 2021 and March 31, 2020, and the statement of operations, comprehensive loss and deficit, statement of changes in shareholders' equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and March 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Howard Wolle.

The image shows a handwritten signature in black ink that reads "S & W LLP". The letters are stylized and cursive.

July 27, 2021
Toronto, Canada

S & W LLP
Chartered Professional Accountants, Licensed Public Accountants

Frontier Lithium Inc.
Statement of Financial Position

	March 31 2021	March 31 2020
Assets		
Current		
Cash and cash equivalents	\$ 10,307,229	\$ 565,946
Cash restricted for flow-through expenditures (Note 13)	37,593	196,232
Investments - FVTPL (Note 3)	10,129	3,376
HST receivable	125,540	189,359
Share subscriptions receivable	165,000	-
Government assistance receivable (Note 4)	228,272	-
Other receivables	16,000	16,000
Prepaid expenses	45,762	7,801
	10,935,525	978,714
Property, plant and equipment (Note 6)	181,715	164,470
Exploration and evaluation assets (Note 5)	13,984,764	12,409,098
Right of use asset (Note 7)	33,484	-
	25,135,488	13,552,282
Total Assets		
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 1,249,256	\$ 544,269
Deferred premium on issuance of flow-through shares	60,000	121,200
Current portion of lease liability (Note 8)	5,821	-
	1,315,077	665,469
CEBA loan (Note 9)	40,000	-
Lease liability (Note 8)	25,968	-
	1,381,045	665,469
Total Liabilities		
Going concern (Note 1)		
Commitments (Note 16)		
Shareholders' equity		
Share capital (Note 12b)	40,146,095	29,986,995
Contributed surplus	15,822,598	8,456,821
Deficit	(32,214,250)	(25,557,003)
	23,754,443	12,886,813
Total Liabilities and Shareholders' Equity	\$ 25,135,488	\$ 13,552,282

On behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Frontier Lithium Inc.
Statement of Changes in Shareholders' Equity
For the years ended March 31, 2021 and 2020

	Share Capital	Advances for Shares to be Issued	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	
	Shares (#)	\$	\$	\$	\$	
Balance April 1, 2019	152,219,397	27,356,898	-	7,777,822	-	(23,910,492)
Net loss and comprehensive loss for the year						(1,646,511)
Shares issued under private placement	8,338,007	3,032,408				
Less: share issue costs		(127,224)				
Less: value of warrants		(353,236)	353,236			
Less: flow through premium		(267,203)				
Less: warrants issued to brokers		(36,433)	36,433			
Shares issued to settle debt	78,602	22,009				
Exercise of options	1,466,666	359,776	(159,859)			
Stock based compensation			449,189			
Balance March 31, 2020	162,102,672	29,986,995	-	8,456,821	-	(25,557,003)
Net loss and comprehensive loss for the year						(6,657,247)
Shares issued under private placement	20,739,081	10,706,559				
Less: share issue costs		(374,404)				
Less: value of warrants		(2,218,407)	2,218,407			
Less: flow-through premium		(100,000)				
Less: warrants issued to brokers		(127,738)	127,738			
Exercise of options	1,505,000	605,655	(250,404)			
Exercise of warrants	4,501,056	1,667,435	(96,854)			
Stock based compensation			5,366,890			
Balance March 31, 2021	188,847,809	40,146,095	-	15,822,598	-	(32,214,250)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Frontier Lithium Inc.
Statement of Operations, Comprehensive Loss and Deficit

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

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Frontier Lithium Inc. Statement of Cash Flows

For the years ended	March 31 2021	March 31 2020
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (6,657,247)	\$ (1,646,511)
Items not involving cash		
Amortization	77,975	70,951
Unrealized (gain) loss on investments - FVTPL	(6,752)	19,453
Realized gain	-	(14,898)
Amortization of Right of Use Asset	7,305	-
Deferred income tax recovery	(161,201)	(172,515)
Stock option compensation	5,366,890	449,189
	<u>(1,373,030)</u>	<u>(1,294,331)</u>
Changes in non-cash working capital balances		
HST receivable	63,819	(86,496)
Other receivables	-	(16,000)
Prepaid expenses	(37,961)	8,671
Accounts payable and accrued liabilities	704,987	(109,368)
Government assistance receivable	(228,272)	-
Share subscriptions receivable	(165,000)	-
	<u>(1,035,457)</u>	<u>(1,497,524)</u>
Investing activities		
Purchase of property, plant and equipment	(95,220)	(6,568)
Proceeds from sale of investments classified as FVTPL	-	68,198
Net addition to exploration and evaluation assets	(1,575,666)	(1,656,921)
Cash restricted for flow-through expenditures	158,639	(106,131)
	<u>(1,512,247)</u>	<u>(1,701,422)</u>
Financing activities		
Issuance of common shares	8,488,152	2,679,172
Share issue costs	(374,404)	(127,224)
Issuance of warrants	2,218,407	353,236
Payments made under ROU lease	(9,000)	-
Proceeds from exercise of options	1,925,832	199,917
CEBA loan	40,000	-
	<u>12,288,987</u>	<u>3,105,101</u>
Increase (decrease) in cash and cash equivalents in year	9,741,283	(93,845)
Cash and cash equivalents, beginning of year	565,946	659,791
Cash and cash equivalents, end of year	\$ 10,307,229	\$ 565,946
Cash and Cash Equivalents		
Cash	\$ 10,307,229	\$ 565,946
Cash equivalents	-	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

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 U.S. based OTCQB Venture Market under the symbol "LITOF" and the Frankfurt Stock Exchange under the symbol "HL2".

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 March 31, 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 reporting expenses and statements of financial position classifications that would be necessary if the going concern assumption was 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.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies

(a) Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company operates in one segment defined as the cash generating unit (CGU) which is Canada.

The Company's IFRS accounting policies have been applied consistently in all periods in preparing the financial statements for the year ended March 31, 2021, and the comparative information for the year ended March 31, 2020. The policies applied in these audited financial statements are based on IFRS issued and outstanding as of July 27, 2021, the date of approval by the Company's Board of Directors.

(b) Basis of measurement

These 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(d) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at 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 Statement of Operations, Comprehensive Loss and Deficit, except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(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 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.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(e) Financial Instruments (Continued)

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. Accounts payable and accrued liabilities are initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Measurement of Fair Value

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 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(e) Financial Instruments (Continued)

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.

The following table summarizes the classifications of financial assets and financial liabilities:

	<u>IFRS 9</u>
<i>Financial assets</i>	
Cash and cash equivalents	FVTPL
Cash restricted for flow-through expenditures	FVTPL
Investments	FVTPL
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	amortized cost

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant 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 the shares issued for the acquisition of mineral properties and those 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 the carrying amount, and are recognized in the Statement of Operations, Comprehensive Loss and Deficit.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(f) Property, Plant and Equipment (continued)

Property, plant and equipment are stated at cost less accumulated amortization. Amortization 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.

(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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(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 against 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

Evaluation assets

Evaluation expenditures relating to the evaluation of resource properties are capitalized until properties brought into production, at which time costs are amortized on a unit-of-production basis over economically recoverable reserves, or abandoned or the interest is sold.

If a project is successful and production has occurred, the exploration expenditures and related deferred evaluation expenditures are first tested for impairment and reclassified to mine property and development, and then 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 in which they are incurred.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(i) General

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

(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 renounced to the unit holders, the Company reverses the related premium liability on the Statement of Financial Position, and reduces the deferred tax expense on the Statement of Operations, Comprehensive Loss and Deficit.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(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 as at March 31, 2021 or March 31, 2020.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of 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.

(m) 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.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(n) 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 below:

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 March 31, 2021 or March 31, 2020.

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 profit or loss in the period the new information becomes available.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(n) Use of Estimates (continued)

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.

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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Notes 12(c) and 12(e).

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(o) 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 behavioural 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

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(p) Income Recognition

IFRS 15 has 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 generally 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 of control of the product passes to the customer.

Interest income is accrued as earned.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(q) Comprehensive Income

Comprehensive income is the change in equity (net assets) 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.

(r) 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. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in 2021 and 2020.

(s) 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

2. Significant Accounting Policies (continued)

(s) Impairment (continued)

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. Indications of impairment such as significant decrease in its 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

Years Ending March 31, 2021 and 2020

3. Investments - FVTPL

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

	March 31, 2021		March 31, 2020	
	Market Value	Cost	Market Value	Cost
Long-term:				
Common shares in public companies	\$10,129	\$553,917	\$3,376	\$553,917

Market value is based on the quoted closing bid price of the securities at March 31, 2021 and 2020. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

4. Government assistance

The Company entered into a funding agreement with the Northern Ontario Heritage Fund Corporation (NOHFC). Under the agreement, NOHFC agreed to reimburse the Company 50% of eligible project costs up to \$363,000.

**Frontier Lithium Inc.
Notes to Financial Statements**

Years Ending March 31, 2021 and 2020

5. Exploration and Evaluation Assets

Year Ending March 31, 2021

	Pakeagama Lake (a)	Other Properties (b)	Total
Acquisition costs			
Balance at April 1, 2020	\$ 426,250	\$ -	\$ 426,250
Additions	-	-	-
Disposals	-	-	-
Impairments	-	-	-
Balance at March 31, 2021	426,250	-	426,250
Deferred exploration costs			
Balance at April 1, 2020	11,982,848	-	11,982,848
Additions	2,003,732	-	2,003,732
Government assistance	(428,066)	-	(428,066)
Disposals	-	-	-
Impairments	-	-	-
Balance at March 31, 2021	13,558,514	-	13,558,514
	\$ 13,984,764	\$ -	\$ 13,984,764

**Frontier Lithium Inc.
Notes to Financial Statements**

Years Ending March 31, 2021 and 2020

5. Exploration and Evaluation Assets (continued)

Year Ending March 31, 2020

	Pakeagama Lake (a)	Other Properties (b)	Total
Acquisition costs			
Balance at April 1, 2019	\$ 426,250	\$ -	\$ 426,250
Additions	-	-	-
Dispositions	-	-	-
Impairments	-	-	-
Balance at March 31, 2020	426,250	-	426,250
Deferred exploration costs			
Balance at April 1, 2019	10,325,927	-	10,325,927
Additions	1,656,921	-	1,656,921
Government assistance	-	-	-
Dispositions	-	-	-
Impairments	-	-	-
Balance at March 31, 2020	11,982,848	-	11,982,848
	\$ 12,409,098	\$ -	\$ 12,409,098

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

5. Exploration and Evaluation Assets (continued)

(a) Pakeagama Lake - Red Lake, Ontario

Pakeagama Lake Property

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

The Company entered into an exploration agreement with three First Nations and has committed to make certain payments (see Note 16).

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. During fiscal year 2015, the Company issued 100,000 common shares and paid \$30,000 to two arms length individuals. The Company will issue 100,000 common shares and pay \$35,000 in the next fiscal year without exploration expenditure guarantees to earn a 100 percent interest from the two individuals.

The Company entered into an exploration agreement with three First Nations and has committed to make certain payments (see Note 16).

(b) Other Properties

Tib Lake – Thunder Bay, Ontario

The Company held a 100% interest in the Tib Lake PGM Property located in the Thunder Bay Mining District of Ontario. In May of 2012, the Company optioned the property (see Notes and 5g).

In May of 2012, the Company optioned the Tib Lake property to an arm's length party. The company received \$450,000 in previous years. At the end of the current year, the Company is owed \$nil. The purchaser is required to spend \$1,600,000 on mineral exploration prior to exercising the option. Once the option is exercised, the Company will maintain 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

5. Exploration and Evaluation Assets (continued)

(b) Other Properties (continued)

Tib Lake – Thunder Bay, Ontario (continued)

A summary of the required cash payments are as follows:

Cash Payments	Due Date
\$40,000	signing of Letter of Intent (received fifth prior year)
50,000	six month anniversary of signing of LOI (received fourth prior year)
50,000	first anniversary of signing of LOI (received fourth prior year)
60,000	second anniversary of signing of LOI (received third prior year)
100,000	third anniversary of signing of LOI (received in the second prior year)
150,000	fourth anniversary of signing of LOI (received in the prior year)
<u>\$450,000</u>	

Other Properties

In January of 2013, the Company optioned 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**

Years Ending March 31, 2021 and 2020

6. Property, Plant and Equipment

Year Ending March 31, 2021

	Exploration Equipment	Furniture and 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	95,220	-	-	-	-	95,220
Disposals	-	-	-	-	-	-
Cost at March 31, 2021	164,025	33,480	200,259	84,695	75,130	557,589
Accumulated depreciation						
Balance at April 1, 2020	52,196	27,049	102,179	72,291	44,184	297,899
Disposals	-	-	-	-	-	-
Depreciation for year	33,548	1,286	29,424	6,816	6,901	77,975
Balance at March 31, 2021	85,744	28,335	131,603	79,107	51,085	375,874
Net book value	\$ 78,281	\$ 5,145	\$ 68,656	\$ 5,588	\$ 24,045	\$ 181,715

**Frontier Lithium Inc.
Notes to Financial Statements**

Years Ending March 31, 2021 and 2020

6. Property, Plant and Equipment (continued)

Year Ending March 31, 2020

	Exploration Equipment	Furniture and Fixtures	Vehicles	Computer Equipment	Computer Software	Total
Cost						
Cost at April 1, 2019	\$ 68,805	\$ 33,480	\$ 200,259	\$ 78,127	\$ 75,130	\$ 455,801
Additions	-	-	-	6,568	-	6,568
Disposals	-	-	-	-	-	-
Cost at March 31, 2020	68,805	33,480	200,259	84,695	75,130	462,369
Accumulated depreciation						
Balance at April 1, 2019	45,078	25,442	60,145	61,165	35,118	226,948
Disposals	-	-	-	-	-	-
Depreciation	7,118	1,607	42,034	11,126	9,066	70,951
Balance at March 31, 2020	52,196	27,049	102,179	72,291	44,184	297,899
Net book value	\$ 16,609	\$ 6,431	\$ 98,080	\$ 12,404	\$ 30,946	\$ 164,470

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

7. Right of use asset

For the year ending March 31, 2021, total right of use assets totaled \$33,484 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.

	2021	2020
Beginning balance	\$ -	\$ -
Additions	40,789	-
Amortization	(7,305)	-
	\$ 33,484	\$ -

8. Lease liability

	2021	2020
Beginning balance	\$ -	\$ -
Additions	40,789	-
Rent payments	(9,000)	-
Interest	-	-
	\$ 31,789	\$ -
Allocated as:		
Current portion	5,821	-
Non-current portion	25,968	-

9. CEBA loan

The company applied for and received the \$40,000 Canada Emergency Business Account ("CEBA") which is an interest-free loan to cover operating costs which was offered in the context of the Covid-19 pandemic outbreak. Repayment of the loan on or before December 31, 2022 will result in loan forgiveness of \$10,000.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

10. Income Taxes

The Company has \$12,311,633 (2020 - \$10,808,995) 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 calculated using a tax rate expected to be recovered or settled of 26.5% (2020 - 26.5%) is as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax liability		
Investment in exploration and evaluation assets	\$ 2,207,244	\$ 1,936,609
Deferred tax asset		
Property, plant and equipment	(102,642)	(81,979)
Undeducted share issuance costs	(115,824)	(51,643)
Undeducted non-capital losses	(3,262,583)	(2,864,384)
Valuation allowance	1,273,805	1,061,397
Net deferred tax liability	<u>\$ -</u>	<u>\$ -</u>

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

10. Income Taxes (continued)

The Company's effective tax rate, which differs from the combined federal and provincial statutory rate of 26.5% (2020 - 26.5%), is reconciled as follows:

	2021	2020
Loss before income taxes	\$ (6,818,448)	\$ (1,819,026)
Income tax recovery @ 26.5%	(1,806,889)	(482,042)
Unrealized (gain) loss on investments - FVTPL	(1,789)	5,155
Realized gain on investments	-	(3,948)
Stock option compensation	1,422,226	119,035
Share issue costs	(35,036)	(18,646)
Other	23,289	21,785
Valuation allowance	398,199	358,661
Current income tax expense (recovery)	\$ -	\$ -
Deferred income tax recovery *	(161,201)	(172,515)
Income tax recovery	\$ (161,201)	\$ (172,515)

* deferred premium on flow-through shares

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

11. Related Party Balances and Transactions

During the year, the Company incurred the following transactions with a director and companies controlled by directors of the Company:

	<u>2021</u>	<u>2020</u>
Consulting	\$ 250,000	\$ 250,000
Investment in exploration and evaluation assets	-	-
Office rental	9,000	9,000
Key management personnel	-	-

Included in stock option compensation is \$5,366,890 (2020 - \$449,189) granted to directors, employees and consultants of the Company (Note 12e).

During the year, 6,780,000 stock options were granted to directors and 1,633,334 options were granted to officers. In the prior year, 1,400,000 stock options were granted to directors and 916,666 options were granted to officers.

Included in accounts payable is \$- (2020 - \$286,395) owing to companies controlled by a director.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for services.

12. 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 of each series to determine the designation, rights privileges, restrictions, and conditions attached to the shares of each series.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

(b) Issued - common voting shares

	Shares	Amount
Balance at March 31, 2019	152,219,397	27,356,898
Exercise of options ^{a,b}	1,466,666	359,776
Private placement ^{c,d,e}	8,338,007	3,032,408
Less: Value of warrants		(353,236)
Less: Share issue costs - cash		(127,224)
Less: Share issue costs - warrants		(36,433)
Less: Flow-through premium		(267,203)
Shares to settle debt ^f	78,602	22,009
Balance at March 31, 2020	162,102,672	29,986,995
Exercise of options ^{h,k,l,m}	1,505,000	605,655
Exercise of warrants ^{j,n}	4,501,056	1,667,435
Private placement ^{g,i,o}	20,739,081	10,706,559
Less: Value of warrants		(2,218,407)
Less: Share issue costs - cash		(374,404)
Less: Share issue costs - warrants		(127,738)
Less: Flow-through premium		(100,000)
Balance at March 31, 2021	188,847,809	40,146,095

(a) In April 2019, 600,000 options were exercised to buy 600,000 common shares of the company for \$60,000 (\$0.10 each)

(b) In November 2019, 866,666 options were exercised to buy 866,666 common shares of the company for \$139,917.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

- (c) In May 2019, the company completed a private placement financing. The company issued 5,000,000 units at \$0.40 per unit for total gross proceeds of \$2,000,000. Each unit consisted of one flow-through common share and one half of one share purchase warrant, each warrant exercisable at \$0.50 for twenty-four months. The fair value attributed to the 2,500,000 share purchase warrants was estimated to be \$250,281. The fair value attributed to the tax deduction was estimated to be \$175,000.

The company paid financing fees consisting of cash of \$100,200 and 250,500 warrants valued at \$25,078 for brokers.

The assumptions used in the Black-Scholes model are as follows: risk free rate 1.66% and volatility 73.59%.

- (d) In November 2019, the company completed a private placement financing. The company issued 1,708,571 units at \$0.28 per unit for total gross proceeds of \$478,400. Each unit consisted of one flow-through common share and one half of one share purchase warrant, each warrant exercisable at \$0.375 for twenty-four months. The fair value attributed to the 854,286 share purchase warrants was estimated to be \$55,586. The fair value attributed to the tax deductions was estimated to be \$41,775.
- (e) In December 2019, the company completed a private placement financing. The company issued 1,629,436 units at \$0.34 per unit for total gross proceeds of \$554,008. Each unit consisted of one flow-through common share and one half of one share purchase warrant, each warrant exercisable at \$0.45 for twenty-four months. The fair value attributed to the 814,718 share purchase warrants was estimated to be \$47,369. The fair value attributed to the tax deductions was estimated to be \$50,428.
- (f) In November 2019, the company issued 78,602 common shares and 39,301 share purchase warrants to settle \$22,009 of debt.
- (g) In June and July 2020, the company issued 10,077,000 units in a private placement financing for total proceeds of \$1,961,025. Each unit consisted of one common share and one half of one share purchase warrant exercisable at \$0.27 for twenty-four months. The fair value attributed to the 5,038,500 share purchase warrants was estimated to be \$373,662.

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

- (h) 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

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

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

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

- (i) In December 2020, 62,500 warrants were exercised to buy 62,500 common shares of the company for proceeds of \$16,875.
- (k) In January 2021, 175,000 options were exercised to buy 175,000 common shares of the company for proceeds of \$43,750.
- (l) In February 2021, 140,000 options were exercised to buy 140,000 common shares of the company for proceeds of \$35,000.
- (m) In March 2021, 990,000 options were exercised to buy 990,000 common shares of the company for proceeds of \$244,500.
- (n) In January to March 2021, 4,438,556 warrants were exercised to buy 4,438,556 common shares of the company for proceeds of \$1,553,706.
- (o) In March 2021, the company completed a private placement financing. The company issued 7,636,371 units at \$1 per unit for total gross proceeds of \$7,714,740. Each unit consisted of one common share and one half of one share purchase warrant, each warrant exercisable at \$1.25 for twenty-four months. The fair value attributed to the 3,818,186 warrants was estimated to be \$1,689,489.

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

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

(c) Warrants Outstanding

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

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

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

The Black-Scholes model was used to value warrants issued under private placements. The assumptions used to calculate the warrant values are listed in the table below:

	Year Ending March 31, 2021	Year Ending March 31, 2020
Risk free interest rate	0.06% to 0.16%	1.64% to 1.67%
Dividend yield	0%	0%
Volatility factor	76% to 88%	69% to 74%
Expected option life	2 years	2 years

(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.

(e) Options Outstanding

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

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

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

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

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

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

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

12. Share Capital (continued)

The assumptions used in the Black-Scholes model are as follows:

	Year Ending March 31, 2021	Year Ending March 31, 2020
Risk free interest rate	0.18%	1.64%
Dividend yield	0%	0%
Volatility factor	78%	80%
Expected option life	5 years	5 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

13. Cash Restricted for Flow Through Expenditures

Flow-Through common shares require the Company to spend an amount equivalent to the proceeds of the issued Flow-Through common shares on Canadian (Flow-Through) qualifying exploration expenditures. As at March 31, 2021, the Company's remaining cash with respect to unspent resource expenditures under flow-through common share agreements is \$697,029 (2020— \$1,640,597), which is held as restricted cash.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

14. 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 resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended March 31, 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.

15. 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 processes is to ensure that the 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 to 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. 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.

Frontier Lithium Inc. Notes to Financial Statements

Years Ending March 31, 2021 and 2020

15. Financial Risk Factors (continued)

Fair Value

The carrying value of cash and cash equivalents, HST receivable and other receivables, accounts payable and accrued liabilities, and due to related party 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 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

The Corporation's only instruments that are carried at fair value are cash and cash equivalents, cash restricted for flow-through expenditures, 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. The Company's loans bear interest at a variable interest rate. Interest on these loans could change due to changes in the market interest rate.

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. 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.

Frontier Lithium Inc.
Notes to Financial Statements

Years Ending March 31, 2021 and 2020

15. Financial Risk Factors (continued)

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.

16. Commitments

The Company entered into agreements with three First Nations communities that neighbour the PAK Lithium Project properties for the purpose of ongoing exploration. Obligations to date have been accrued.

17. Subsequent Events

On April 9, 2021, the Company announced that it closed the acquisition to acquire the 2.5% Net Smelter Royalty (NSR) that was outstanding on the Company's Pakeagama Lake Pegmatite Project for consideration of \$4,000,000 in cash and 1,000,000 common shares of the Company at a price of \$1 per share.

On April 21, 2021, the Company announced the closing of a non-brokered flow-through private placement. The Company announced that it would issue up to 1,822,708 units at \$1.30 per unit for gross proceeds of up to \$2,369,520. Each unit consisted of one common share of the company and one half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common shares of the Company at an exercise price of \$1.50 for a 24-month period from closing.

18. COVID-19 Pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. The pandemic has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.
