



## FINANCIAL STATEMENTS

Nine months ending December 31, 2019 and 2018  
(Unaudited and Prepared by Management)

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

**Frontier Lithium Inc.**  
**Statement of Financial Position**  
**Unaudited**

	<b>December 31, 2019</b>	March 31, 2019
<hr/>		
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 749,984	\$ 659,791
Cash restricted for flow through expenditures (Note 10)	316,570	90,101
Investments – FVTPL (Note 3)	15,480	76,128
HST receivable and other receivables	166,601	102,863
Prepaid expenses	12,688	16,472
	1,261,323	945,355
 <b>Property, plant and equipment</b> (Note 5)	 182,208	 228,853
<b>Exploration and evaluation assets</b> (Notes 4 and 6)	12,169,358	10,752,177
	\$ 13,612,889	\$ 11,926,385
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<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 234,944	\$ 675,646
Premium on flow-through shares (Note 7)	50,395	26,511
	285,339	702,157
 <b>Shareholders' equity</b>		
Share capital (Note 7)	30,154,082	27,356,898
Contributed surplus (Note 7)	8,456,821	7,777,822
Deficit	(25,283,353)	(23,910,492)
	13,327,550	11,224,228
	\$ 13,612,889	\$ 11,926,385

**Frontier Lithium Inc.**  
**Statement of Operations**  
**(Unaudited)**

	Nine months Ended Dec. 31, 2019	Nine months Ended Dec. 31, 2018	Three Months Ended Dec. 31, 2019	Three Months Ended Dec. 31, 2018
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>				
Consulting (Note 6)	301,291	300,525	107,266	66,250
Wages and benefits	193,677	172,774	84,492	93,095
Stock option compensation (Note 6)	449,189	407,557	449,189	139,828
Vehicle and travel	128,311	168,818	34,929	77,864
General administrative	201,894	183,832	79,681	50,068
Insurance	17,138	15,141	5,761	5,618
Office and equipment rental (Note 6)	6,750	6,750	2,250	2,250
Telephone	12,747	8,611	7,262	3,218
Professional fees	86,664	137,923	8,580	54,834
Depreciation	53,213	32,771	17,737	14,091
Shareholder and investor relations	-	9,068	-	-
Bank charges and interest	4,788	4,646	1,336	1,533
Currency exchange and rounding	977	3,741	157	15
	<u>1,456,639</u>	<u>1,452,157</u>	<u>798,640</u>	<u>508,664</u>
<b>Net loss before tax and items below</b>	<b>(1,456,639)</b>	<b>(1,452,157)</b>	<b>(798,640)</b>	<b>(508,664)</b>
<b>Unrealized gain (loss) on investments - FVTPL</b>	<b>(7,348)</b>	<b>(41,586)</b>	<b>(19,350)</b>	<b>(11,997)</b>
<b>Investment income</b>		13,357	-	13,357
<b>Realized gain (loss) on investments</b>	<b>14,896</b>	<b>(740)</b>	<b>196</b>	<b>-</b>
<b>Loss on debt extinguishment (Note 7)</b>	<b>-</b>	<b>(27,717)</b>	<b>-</b>	<b>-</b>
	<u>(1,449,091)</u>	<u>(1,508,843)</u>	<u>(817,794)</u>	<u>(507,304)</u>
<b>Income tax expense</b> Deferred	<b>(76,230)</b>	<b>(43,985)</b>	<b>(1,719)</b>	<b>(43,985)</b>
<b>Net loss for the period</b>	<b>(1,372,861)</b>	<b>(1,464,858)</b>	<b>(816,075)</b>	<b>(463,319)</b>
<b>Deficit, beginning of period</b>	<b>(23,910,492)</b>	<b>(22,267,034)</b>	<b>(24,467,278)</b>	<b>(23,268,573)</b>
<b>Deficit, end of period</b>	<b>(25,283,353)</b>	<b>(23,731,892)</b>	<b>(25,283,353)</b>	<b>(23,731,892)</b>
<b>Net loss per share (basic)</b>	<b>\$ (0.009)</b>	<b>\$ (0.01)</b>	<b>\$ (0.005)</b>	<b>\$ (0.003)</b>
<b>Weighted average common shares outstanding</b>	<b>157,502,473</b>	<b>146,835,601</b>	<b>159,473,158</b>	<b>149,342,413</b>

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

	Share capital	Advances for shares to be Issued	Share subscriptions receivable	Contributed surplus	Accumulated other comprehensive loss	Deficit
	Shares (#)	\$	\$	\$	\$	\$
<u>Period Ending Dec 31, 2018</u>	140,330,373	23,793,678	-	-	6,742,475	(22,267,034)
<b>Balance March 31, 2018</b>						
Net income and comprehensive loss for the period						(1,464,858)
Transactions during the period						
Shares for debt	261,979	104,792				
Loss on debt settlement		27,717				
Private placement	9,969,770	4,099,008				
Less: valuation of warrants		(764,874)		764,874		
Less: flow-through premium		(145,020)				
Shares issued as finders' fee	117,900	47,160				
Finders' fees		(174,456)		27,810		
Exercise of options	989,375	269,766		(120,766)		
Stock option compensation				407,557		
<b>Balance at Dec 31, 2018</b>	<b>151,669,397</b>	<b>27,257,771</b>	<b>-</b>	<b>-</b>	<b>7,821,950</b>	<b>(23,731,892)</b>
<u>Period Ending Dec 31, 2019</u>						
<b>Balance March 31, 2019</b>	152,219,397	27,356,898	-	-	7,777,822	(23,910,492)
Net income and comprehensive loss for the period						(1,372,861)
Transactions during the period						
Shares for debt	78,602	22,009				
Private placement	8,338,007	3,032,408				
Less: valuation of warrants		(353,236)		353,236		
Less: flow-through premium		(100,116)				
Finders' fees		(163,657)		36,433		
Exercise of options	1,466,666	359,776		(159,859)		
Stock option compensation				449,189		
<b>Balance at Dec 31, 2019</b>	<b>162,102,672</b>	<b>30,154,082</b>	<b>-</b>	<b>-</b>	<b>8,456,821</b>	<b>(25,283,353)</b>

**Frontier Lithium Inc.**  
**Statement of Cash Flows**  
**(Unaudited)**

	<b>Nine months Ended Dec. 31, 2019</b>	Nine months Ended Dec. 31, 2018	<b>Three Months Ended Dec. 31, 2019</b>	Three Months Ended Dec. 31, 2018
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	<b>\$ (1,372,861)</b>	\$ (1,464,858)	<b>\$ (816,075)</b>	\$ (463,319)
Items not involving cash				
Unrealized loss (gain) – FVTPL	<b>7,348</b>	41,586	<b>19,350</b>	11,997
Deferred income tax recovery	<b>(76,230)</b>	(43,985)	<b>(1,719)</b>	(43,985)
Realized loss (gain)	<b>(14,896)</b>	740	<b>(196)</b>	-
Loss on extinguishment of debt	-	27,717	-	-
Stock option compensation	<b>449,189</b>	407,557	<b>449,189</b>	139,828
Depreciation	<b>53,213</b>	32,771	<b>17,737</b>	14,091
	<b>(954,237)</b>	(998,472)	<b>(331,714)</b>	(341,388)
Changes in non-cash working capital balances				
HST receivable and other receivables	<b>(63,738)</b>	(62,297)	<b>(76,174)</b>	(70,448)
Prepaid expenses	<b>3,784</b>	(7,150)	<b>22,705</b>	6,162
Accounts payable and accrued liabilities	<b>(440,702)</b>	(388,319)	<b>(68,893)</b>	(93,741)
	<b>(1,454,893)</b>	(1,456,238)	<b>(454,076)</b>	(499,415)
<b>Investing activities</b>				
Investment in exploration and evaluation assets	<b>(1,417,181)</b>	(1,636,008)	<b>(555,680)</b>	(524,106)
Proceeds from sale of investments	<b>174,848</b>	5,210	<b>106,848</b>	-
Investing in securities	<b>(84,645)</b>	-	-	-
Cash restricted for flow-through expenditures	<b>(226,469)</b>	-	<b>(249,641)</b>	443,701
Purchase of property, plant and equipment	<b>(6,568)</b>	(155,656)	-	(43,349)
	<b>(1,560,015)</b>	(1,786,454)	<b>(698,473)</b>	(123,754)
<b>Financing activities</b>				
Issuance of common shares	<b>2,679,172</b>	3,334,134	<b>929,453</b>	992,726
Issuance of warrants	<b>353,236</b>	764,874	<b>102,955</b>	108,774
Finders' fees	<b>(127,224)</b>	(99,486)	<b>(27,024)</b>	(73,685)
Exercise of warrants and options	<b>199,917</b>	149,000	<b>139,917</b>	9,999
Shares for debt	-	-	-	-
	<b>3,105,101</b>	4,148,522	<b>1,145,301</b>	1,037,814
<b>Increase (decrease) in cash during the period</b>	<b>90,193</b>	905,830	<b>(7,248)</b>	414,645
<b>Cash and cash equivalents, beginning of period</b>	<b>659,791</b>	502,154	<b>757,232</b>	993,339
<b>Cash and cash equivalents, end of period</b>	<b>\$ 749,984</b>	\$ 1,407,984	<b>\$ 749,984</b>	\$ 1,407,984

**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**1. Nature of Operations and Going Concern**

Nature of Operations

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

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

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

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

Going Concern

These financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2019. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development.

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

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## **2. Critical Accounting Policies**

### **(a) Basis of presentation and statement of compliance**

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

These interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2019 which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies are presented as Note 2 in the audited financial statements for the year ended March 31, 2019 and have been consistently applied in the preparation of these interim financial statements.

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

These board of directors approved these financial statements on February 20, 2020.

### **(b) Basis of measurement**

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

### **(c) Adoption of new International Financial Reporting Standards (“IFRS”)**

The following standards were adopted on April 1, 2018:

IFRS 9 Financial Instruments (“IFRS 9”): This standard replaced IAS 39 Financial Instruments: Recognition and Measurement. This standard sets out revised guidance for classifying and measuring financial assets and liabilities and introduces a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. This standard also requires that when financial liabilities measured at amortized cost are modified or exchanged, and where such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability be recognized in profit or loss.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 contains two principal classification categories for financial liabilities: amortized cost and fair value through profit or loss (FVTPL).

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial instruments. There were no financial assets or financial liabilities that were subject to reclassification, or to which the company elected to reclassify, upon adoption of IFRS 9.

## **2. Critical Accounting Policies**

### **(c) Adoption of new International Financial Reporting Standards (“IFRS”) (continued)**

IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”): Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods and services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Since the company has no revenues, the application of this new standard had no impact on the reported results. There was no impact on the cash flows from operating activities as a result of adopting this standard.

### **(d) Presentation and functional currency**

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

### **(e) Foreign currency translation**

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

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

### **(f) Financial instruments**

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

#### **Classification of Financial Assets**

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

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

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



**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**2. Critical Accounting Policies**

**(f) Financial instruments (continued)**

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

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

**Classification of Financial Liabilities**

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

Financial liabilities consist of accounts payable and accrued liabilities. 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 the three hierarchy levels, as described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

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

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

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

**Transaction Costs**

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

**Offsetting**

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

**Frontier Lithium Inc**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**2. Critical Accounting Policies (Continued)**

**(f) Financial instruments (continued)**

Issuance of Equity Instruments

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

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

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

**(g) Property, Plant and Equipment**

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

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

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

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

**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**2. Critical Accounting Policies (continued)**

**(g) Property, Plant and Equipment (continued)**

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

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

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

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

**(h) Leased assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lesser of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

Lease payments are split between interest and capital. The interest element is charged to the Statement of Operations, Comprehensive Loss and Deficit over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Operations, Comprehensive Loss and Deficit on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**2. Critical Accounting Policies (continued)**

**(i) 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 using the closing price of the Company's shares on the date the shares are issued.

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

Evaluation assets

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

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

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

**(j) General**

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

## **2. Critical Accounting Policies (continued)**

### **(k) 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.

### **(l) Flow-Through Shares**

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

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

### **(m) Provisions**

#### Rehabilitation provision

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

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

The Company did not have a rehabilitation provision at December 31, 2019 or March 31, 2019.

## **2. Critical Accounting Policies (continued)**

### **(m) Provisions (continued)**

#### Other provisions

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

### **(n) Share capital**

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

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

### **(o) Use of Estimates**

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

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

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

## **2. Critical Accounting Policies (continued)**

### **(o) Use of Estimates (continued)**

#### *Rehabilitation provisions*

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

The company had no rehabilitation provision at December 31, 2019 and March 31, 2019.

#### *Exploration and evaluation assets*

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

#### *Title to mineral property interests*

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

#### *Income taxes*

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

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

## **2. Critical Accounting Policies (continued)**

### **(o) Use of Estimates (continued)**

#### *Share-based payment transactions*

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

### **(p) Stock Based Payments**

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

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

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

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



## **2. Critical Accounting Policies (continued)**

### **(q) Income Recognition**

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

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

Interest income is accrued as earned.

### **(r) Comprehensive Income**

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

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

### **(s) Loss Per Share**

Basic loss per share is computed by dividing comprehensive loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss 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.

**2. Critical Accounting Policies (continued)**

**(t) Impairment**

*Financial assets*

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

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

*Non-financial assets*

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Indicators of impairment include a significant decrease in market price, evidence of obsolescence and physical damage and significant decrease 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 to recoverable amount and the impairment loss is recognized in the Statement of Operations, Comprehensive Loss and Deficit.

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

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

**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**3. Investments – FVTPL**

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

	<b>Dec. 31, 2019</b>		<b>March 31, 2019</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Long-term:				
Common shares in public Company	<b>\$ 15,480</b>	<b>\$ 559,517</b>	\$ 76,128	\$ 620,126

Market value is based on the quoted closing bid price of the securities at December 31, 2019, and March 31, 2019. 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.

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4. Exploration and Evaluation Assets

Period Ending December 31, 2019

	Pakeagama Lake (a)	Other properties (b)	Total
<b>Acquisition Costs:</b>			
Balance at April 1, 2019	\$ 426,250	\$ -	\$ 426,250
Additions	-	-	-
Disposals	-	-	-
Impairments	-	-	-
Balance at December 31, 2019	<u>426,250</u>	<u>-</u>	<u>426,250</u>
<b>Deferred Exploration Costs:</b>			
Balance at April 1, 2019	\$ 10,325,927	\$ -	\$ 10,325,927
Additions	1,417,181	-	1,417,181
Disposals	-	-	-
Impairments	-	-	-
Balance at December 31, 2019	<u>11,743,108</u>	<u>\$ -</u>	<u>11,743,108</u>
<b>Total acquisition and deferred exploration costs</b>	<b><u>\$ 12,169,358</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,169,358</u></b>

Period Ending December 31, 2018

	Pakeagama Lake (a)	Other properties (b)	Total
<b>Acquisition Costs:</b>			
Balance at April 1, 2018	\$ 426,250	\$ -	\$ 426,250
Additions	-	-	-
Disposals	-	-	-
Impairments	-	-	-
Balance at December 31, 2018	<u>426,250</u>	<u>-</u>	<u>426,250</u>
<b>Deferred Exploration Costs:</b>			
Balance at April 1, 2018	\$ 7,830,870	\$ -	\$ 7,830,870
Additions	1,636,008	-	1,636,008
Disposals	-	-	-
Impairments	-	-	-
Balance at December 31, 2018	<u>9,466,878</u>	<u>-</u>	<u>9,466,878</u>
<b>Total acquisition and deferred exploration costs</b>	<b><u>\$ 9,893,128</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,893,128</u></b>

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**4. 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 each of three First Nations and has committed to make certain payments (see Note 9).

*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. The Company will issue 100,000 common shares and pay \$35,000 in the current fiscal year to earn a 100 percent interest from the two individuals.

The Company entered into an exploration agreement with each of three First Nations and has committed to make certain payments (see Note 9).

**(b) Other Properties**

Tib Lake

In May of 2012, the Company optioned the Tib Lake property to an arm's length party. At the end of the current quarter, all cash consideration has been received. 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.

A summary of the required cash payments is as follows:

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

**4. Exploration and Evaluation Properties (Continued)**

**(b) Optioning and Sale of Properties (continued)**

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

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5. Property, Plant and Equipment

Period Ending December 31, 2019

	Exploration Equipment	Furniture & Fixtures	Vehicles	Computer Equipment	Computer Software	Total
<b>Cost</b>						
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 Dec. 31, 2019	68,805	33,480	200,259	84,695	75,130	462,369
<b>Accumulated depreciation</b>						
Balance at April 1, 2019	\$ 45,078	\$ 25,442	\$ 60,145	\$ 61,165	\$ 35,118	\$ 226,948
Depreciation for period	5,338	1,206	31,526	8,345	6,798	53,213
Balance at Dec. 31, 2019	50,416	26,648	91,671	69,510	41,916	280,161
<b>Net book value</b>	<b>\$ 18,389</b>	<b>\$ 6,832</b>	<b>\$ 108,588</b>	<b>\$ 15,185</b>	<b>\$ 33,214</b>	<b>\$ 182,208</b>

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Notes to Financial Statements  
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5. Property, Plant and Equipment (Continued)

Period Ending December 31, 2018

	Exploration Equipment	Furniture & Fixtures	Vehicles	Computer Equipment	Computer Software	Total
<b>Cost</b>						
Cost at April 1, 2018	\$ 53,705	\$ 26,091	\$ 53,911	\$ 55,626	\$ 65,330	\$ 254,663
Additions	-	7,388	146,348	1,920	-	155,656
Disposals	-	-	-	-	-	-
Balance at Dec. 31, 2018	53,705	33,479	200,259	57,546	65,330	410,319
<b>Accumulated depreciation</b>						
Balance at April 1, 2018	\$ 38,146	\$ 24,356	\$ 31,457	\$ 54,213	\$ 25,523	\$ 173,695
Depreciation for period	3,500	814	21,516	970	5,971	32,771
Balance at Dec. 31, 2018	41,646	25,170	52,973	55,183	31,494	206,466
<b>Net book value</b>	<b>\$ 12,059</b>	<b>\$ 8,309</b>	<b>\$ 147,286</b>	<b>\$ 2,363</b>	<b>\$ 33,836</b>	<b>\$ 203,853</b>



**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**6. Related Party Balances and Transactions**

During the nine months ended December 31, 2019 and 2018, the Company incurred the following expenditures with related parties:

	<b>Dec. 31,2019</b> <b>(Unaudited)</b>	Dec. 31,2018 (Unaudited)
Office and equipment rental <sup>1</sup>	<b>\$ 6,750</b>	\$ 6,750
Consulting <sup>2</sup>	<b>187,000</b>	187,000
Investment in exploration and evaluation assets <sup>3</sup>	-	-
Investment in exploration and evaluation assets <sup>1</sup>	-	-

<sup>1</sup> paid to company controlled by a corporate director

<sup>2</sup> paid to corporate officers

<sup>3</sup> paid to company controlled by corporate officer

Included in accounts payable is \$70,870 owing to a corporation controlled by a director of the company.

Included in stock option compensation is \$449,189 granted to directors and officers of the Company (see note 7(e)).

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.

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**7. Share Capital**

**(a) Authorized:**

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

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

**Frontier Lithium Inc.**  
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**7. Share Capital Continued**

**(b) Issued – Common Voting Shares**

Period Ending December 31, 2019

	<b>Shares</b>	<b>Amount</b>
Balance at March 31, 2019	152,219,397	\$ 27,356,898
Private placement <sup>a,c,f</sup>	8,338,007	3,032,408
Less: value of warrants <sup>a,c,f</sup>		(353,236)
Less: finders' fee – cash <sup>a</sup>		(127,224)
Less: finders' fee – warrants <sup>a</sup>		(36,433)
Less: flow-through premium		(100,116)
Shares for debt <sup>e</sup>	78,602	22,009
Exercise of options <sup>b,d</sup>	1,466,666	359,776
Balance at December 31, 2019	<u>162,102,672</u>	<u>\$ 30,154,082</u>

- (a) 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 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 company paid financing fees consisting of cash of \$100,200 and 250,500 warrants valued at \$25,078 to brokers.

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

- (b) In April 2019, 600,000 options were exercised to buy 600,000 common shares of the company for \$60,000 (\$0.10 each).
- (c) 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.
- (d) In November 2019, 866,666 options were exercised to buy 866,666 common shares of the company for \$139,917.
- (e) In November 2019, the company issued 78,602 common shares and 39,301 share purchase warrants to settle \$22,009 of debt.
- (f) 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.

**Frontier Lithium Inc.**  
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**7. Share Capital Continued**

**(b) Issued – Common Voting Shares**

Period Ending December 31, 2018

	<b>Shares</b>	<b>Amount</b>
Balance at March 31, 2018	140,330,373	\$ 23,793,678
Shares for debt <sup>a</sup>	261,979	132,509
Private placement – non-flow through <sup>d</sup>	5,880,969	2,352,388
Private placement – flow-through <sup>e, f</sup>	4,088,801	1,746,620
Finders' fee – broker shares <sup>d</sup>	117,900	47,160
Less: value of warrants <sup>d,e,f</sup>		(764,874)
Less: finders' fee and other- cash <sup>d</sup>		(99,486)
Less: finders' fee - warrants <sup>d,e</sup>		(27,810)
Less: finders' fee - shares <sup>d</sup>		(47,160)
Less: flow-through premium		(145,020)
Exercise of options <sup>b,c,g</sup>	989,375	269,766
Balance at December 31, 2018	<u>151,669,397</u>	<u>\$ 27,257,771</u>

- (a) In April 2018, the company issued 261,979 shares of the company to one non-arm's length party to settle \$104,792 of debt. The company incurred a loss on extinguishment of \$27,717.
- (b) In April 2018, 850,000 options were exercised to buy 850,000 common shares of the company for \$123,250 (\$0.145 each).
- (c) In April 2018, 39,375 options were exercised to buy 39,375 common shares of the company for \$15,750 (\$0.40 each).
- (d) In June 2018, the company completed a non-brokered private placement financing. The company issued 5,880,969 units at \$0.40 per unit for total gross proceeds of \$2,352,388. Each unit consisted of one common share and one share purchase warrant, each warrant exercisable at \$0.60 for twenty-four months. The fair value attributed to the 5,880,969 share purchase warrants was estimated to be \$566,000 using the Black-Scholes pricing model.

The company issued 117,900 common shares to a broker as a finder fee valued at \$47,160. In addition, the company issued 117,900 warrants valued at \$16,810 using the Black-Scholes pricing model. The company also issued 27,000 warrants to two other parties valued at \$3,850 in connection with the financing.

The assumptions used in the Black-Scholes model are as follows: risk free rate 1.04% and volatility 73.274%.

- (e) In September 2018, the company completed a non-brokered private placement financing. The company issued 1,466,182 units at \$0.44 per unit for total gross proceeds of \$645,120. Each unit consisted of one flow-through common share and one half of one share purchase warrant, each warrant exercisable at \$0.55 for twenty-four months. The fair value attributed to the 733,091 share purchase warrants is estimated to be \$90,100 using the Black-Scholes option pricing model.

The assumptions used in the Black-Scholes model are as follows: risk free rate 1.38% to 1.40% and volatility 71.182%.

**Frontier Lithium Inc.**  
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**For Nine months ended December 31, 2019 and 2018 (Unaudited)**

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**7. Share Capital Continued**

**(b) Issued – Common Voting Shares**

- (f) In December 2018, the company completed a non-brokered private placement financing. The company issued 2,622,619 units at \$0.42 per unit for total gross proceeds of \$1,101,500. Each unit consisted of one flow-through common share and one half of one share purchase warrant, each warrant exercisable at \$0.50 for eighteen months. The fair value attributed to the 1,311,309 share purchase warrants is estimated to be \$108,774 using the Black-Scholes option pricing model.

The assumptions used in the Black-Scholes model are as follows: risk free rate 1.63% and volatility 75.061%.

The company issued 146,614 warrants valued at \$7,152 as finder fees using the Black-Scholes pricing model.

- (g) In December 2018, 100,000 options were exercised to buy 100,000 common shares of the company for \$10,000 (\$0.10 each).

**(c) Warrants Outstanding:**

Balance at April 1, 2019	10,643,925
Warrants exercised during the quarter	-
Warrants expired during the quarter	(2,427,042)
Warrants issued during the quarter	4,653,084
Balance at December 31, 2019	<u>12,869,967</u>

At December 31, 2019, the following warrants were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Shares</u>
June 4, 2020	0.60	6,025,869
August 27, 2020	0.55	153,409
August 30, 2020	0.55	284,091
September 7, 2020	0.55	11,500
September 10, 2020	0.55	284,091
May 22, 2021	0.50	1,562,500
May 24, 2021	0.50	898,625
May 31, 2021	0.50	175,000
June 4, 2021	0.50	114,375
June 19, 2021	0.50	1,311,309
June 19, 2021	0.48	146,614
November 6, 2021	0.375	849,999
November 13, 2021	0.375	100,800
November 14, 2021	0.375	39,301
December 18, 2021	0.45	300,000
December 20, 2021	0.45	612,484
		<u>12,869,967</u>

**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**7. Share Capital Continued**

**(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.

During the period, the company issued 2,316,666 stock options were issued to directors and officers of the Company valued at \$449,189 using the Black-Scholes model. The following were the assumptions used: risk free rate of return 1.64% and volatility 80.4%.

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Balance at April 1, 2019	11,850,000	\$ 0.37
Options issued during quarter	2,316,666	0.30
Options exercised during quarter	<u>(1,466,666)</u>	<u>0.14</u>
Balance at December 31, 2019	<u>12,700,000</u>	<u>\$ 0.33</u>

The following is a summary of the options outstanding at December 31, 2019:

<u>Expiry Date</u>	<u>Option Price</u>	<u>Number of Shares</u>
July 8, 2020	0.19	1,633,334
January 7, 2021	0.16	200,000
April 28, 2021	0.24	500,000
October 31, 2022	0.40	1,927,292
November 9, 2022	0.50	893,333
March 27, 2023	0.50	3,890,000
June 21, 2023	0.45	839,375
November 7, 2023	0.40	500,000
December 11, 2024	0.30	<u>2,316,666</u>
		<u>12,700,000</u>

**(e) Contributed Surplus**

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

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**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**8. Income Taxes**

The Company has \$10,472,420 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		1,016,861
		<u>\$ 10,472,420</u>

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

	<b>Dec 31, 2019</b>	March 31, 2019
Deferred tax liability		
Investment in exploration and evaluation assets	<b>\$ 1,936,609</b>	\$ 1,133,021
Deferred tax asset		
Property, plant and equipment	<b>(77,279)</b>	(63,177)
Undeducted share issuance costs	<b>(51,643)</b>	(36,574)
Undeducted non-capital losses	<b>(2,775,191)</b>	(2,505,723)
Valuation allowance	<b>967,504</b>	1,472,453
Net deferred tax liability	<b>\$ -</b>	\$ -

**Frontier Lithium Inc.**  
**Notes to Financial Statements**  
**For Nine months Ended December 31, 2019 and 2018 (Unaudited)**

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**8. Income Taxes (continued)**

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

<b>Nine months ending</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Loss before income tax	\$ (1,449,091)	\$ (1,001,539)
Income tax recovery @ 26.5%	(384,009)	(399,843)
Gains gain on investments - FVTPL	(2,000)	11,020
Loss on extinguishment of debt	-	7,345
Share compensation	119,035	108,003
Other	16,152	5,032
Share issue costs	(18,646)	-
Valuation allowance	269,468	268,443
	<hr/>	<hr/>
Actual income tax expense (recovery)	\$ -	\$ -

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**9. Commitments**

The company entered into exploration agreements with three First Nations. The company has committed to pay them a total of 3.09% of exploration expenses and to compensate them for proven loss of revenue resulting from disruption of certain traditional activities. All amounts due have been accrued.

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**10. Cash Restricted for Flow-Through Expenditures**

The company issues flow-through shares which require it to spend the proceeds on qualifying exploration expenditures. At December 31, 2019, the company has a commitment to spend \$316,570 on qualifying exploration expenditures.

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## **11. Capital Management**

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing mineral resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended December 31, 2019.

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.

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## **12. Financial Risk Factors**

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

### **Credit Risk**

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

### **Liquidity Risk**

The Company ensures that there is sufficient cash and other short-term assets readily convertible into cash in order to meet its liabilities when they come due. The Company's cash is held in business accounts with a Canadian bank. Management believes that liquidity risk is low.



## **12. Financial Risk Factors (continued)**

### Fair Value

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

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

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

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

### Interest Rate Risk

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

### Currency Risk

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

### Commodity Price Risk

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

### Sensitivity Analysis

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