

Frontier Lithium //Lithium



STORMCROW

Feb 19, 2019 TSXV-FL

Target Positive
\$0.95

Update

The Spark That Makes It Better

- **PAK was Good:** The PAK deposit that is being developed by Frontier has both high grade and low iron content. The only negative that we can identify is that, if developed as a 20,000 tpa LCE operation, the near-surface spodumene would be depleted in about 14 years.
- **Spark Makes It Better:** The recently discovered Spark pegmatite, located near PAK, seems to contain high-grade spodumene with acceptable levels of iron.
- **Low-Iron Concentrate is Key:** Management at Frontier continues, very sensibly, to focus on the production of low-iron spodumene concentrate, targeted at the glass and ceramics industries. This type of concentrate is in tight supply and sells for a significant premium over chemical-grade concentrate, but it can only be produced if the deposit is amenably low in iron. PAK, or PAK and Spark, can make technical-grade concentrates.
- **Management Knows Their Way Around:** Having a management team with significant expertise in mining operations, especially drill-and-blast work, is a major plus.
- **Positive Recommendation:** In spite of a weaker market for lithium stocks, we remain positive on Frontier, because there are so few deposits out there that can produce relatively simple but lucrative technical-grade spodumene concentrate as a product.

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	New	Old
Recommendation	Positive	NA
Target	C\$0.95	NA

Recent Px: C\$0.36
Shares O/S: 152.9M
Market Cap: C\$54M
Net Cash: ~C\$1.08m



See the end of report for important disclosures



Update – The Spark That Makes It Better

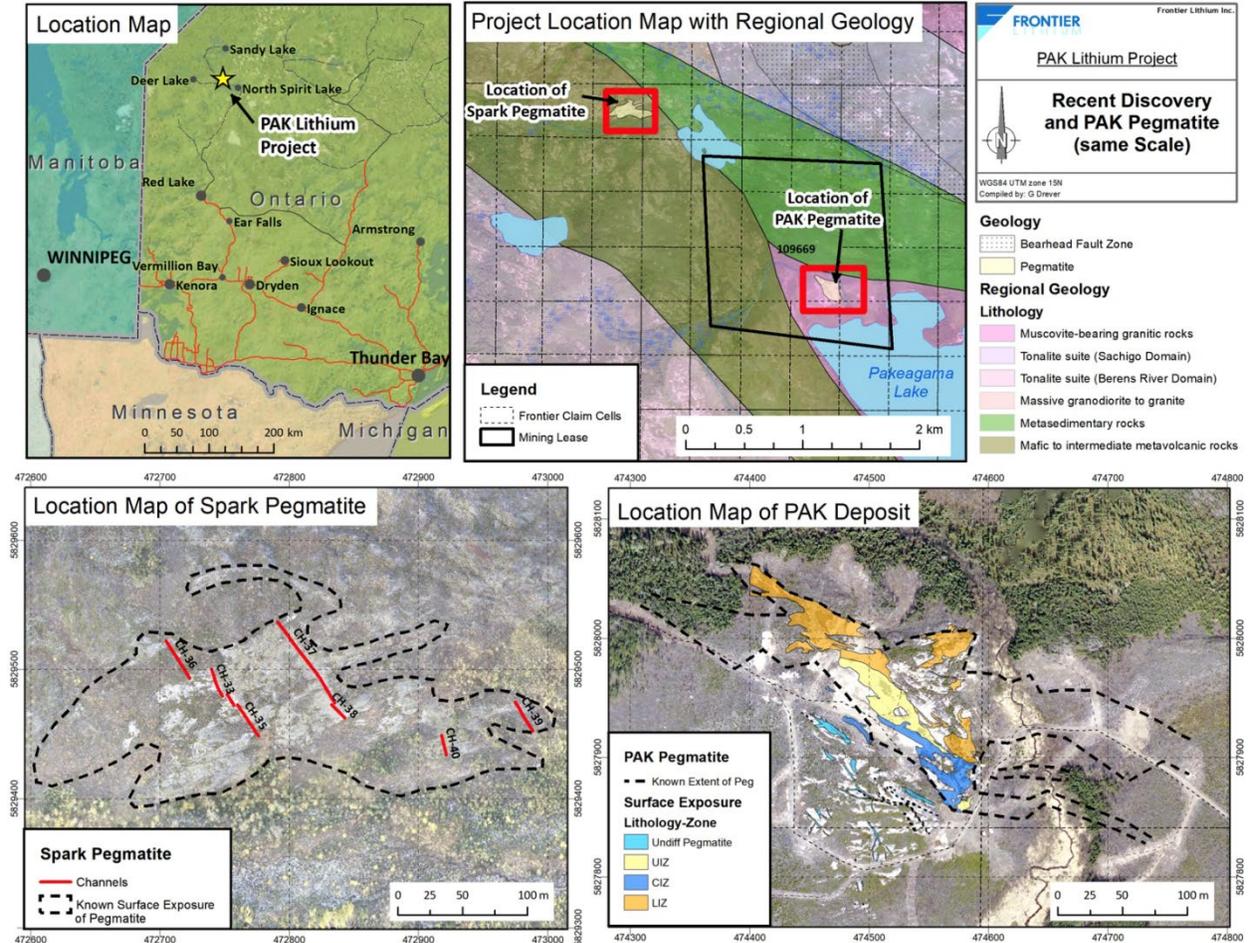
We have always liked Frontier's PAK project, owing to very high grade and very clean spodumene concentrates. Frontier has shown the markets a reserve (from the company's April 2018 PFS) of 5.77 million tonnes at 2.00% Li₂O (using a cut-off grade of 0.4% Li₂O). Iron content of the ore at PAK, and the concentrate made from it, is very low and makes the use of this spodumene concentrate in the glass and ceramics industry a very useful and very lucrative potential commercial starting point, without the technical risks and delays attending any attempt to become a lithium chemical producer right out of the blocks. Couple the quality of the deposit with the strengths of the management team and major shareholders as experienced explorers and mine builders, and you have a great package.

We have gone silent, to some degree, on Frontier, but it hasn't been for lack of enthusiasm on our part. The company was busy throughout 2018, both doing the necessary small financings to continue to develop PAK (unlike many junior mining companies, management compensation isn't a meaningful part of their overall expenses at Frontier), like the announcement of a Phase VI 2,000 meter diamond drill program in June 2018 or the addition of another 14,248 ha of land to the PAK claims in December 2018. But the most meaningful announcement in all of 2018 was the discovery of the Spark pegmatite in November 2018. That announcement included the first channel measurements from Spark. Channel 33 was 23 meters at an average of 1.98% Li₂O (and a quick reminder that 100% spodumene is slightly less than 8% Li₂O, so 2% represents about 25% spodumene *in situ*), with 2 meters of nearly 4% Li₂O. This was a very good start for a new deposit.

The only real knock against Frontier has been the deposit size at, and near, surface. 5.77 million tonnes of proven and probable reserve at 2.00% Li₂O means that the PAK deposit presently contains about 285,400 tonnes of potentially recoverable lithium, LCE. While the ore and resulting concentrate is impressive in terms of consistency and iron content, a mine attempting to produce 20,000 tpa LCE would be exhausted in roughly 14 years. So, the discovery of the Spark pegmatite and the drill program announced on 31 January 2019, to be conducted this winter, is extremely welcome. This may be one of the lowest-cost discoveries ever made in the lithium industry. The area containing the Spark pegmatite, along what Frontier is calling the Electric Avenue trend (cue up Eddy Grant!), has been a target of Frontier for some time. Only recently, however, did a geologist decide to take a helicopter out to do some rock outcrop mapping, and when they did, they realized that they were standing on top of a pegmatite that has a visible extent at surface of at least 100 meters by 300 meters. Not a bad return for a short helicopter flight, given Spark is only about 2.3 km northwest of PAK.



Exhibit 1 – Spark and PAK



Source: Frontier Lithium news release (2018)

To date, 263 meters of channel samples have been announced from Spark, averaging 1.91% Li₂O. Tantalum levels also appear very interesting, and while there are indications that while iron levels are slightly higher than within PAK, these levels are still relatively low and could bode well for production of additional technical-grade concentrate. It would not be a stretch to envision finding another 4-5 million tonnes of ore approaching 2% Li₂O grade at Spark. That would put Frontier in position to maintain operations well beyond 20 years, and there are many other interesting targets along the Electric Avenue trend.

There are rumors in the lithium industry that Talison Lithium’s Greenbushes operation is now prioritizing larger glass and ceramic industry customers for supply with a limited amount of technical-grade spodumene concentrate. While there is more than enough lithium chemical available so that no glass or ceramic manufacturer need go without, the cheapest route to making lithiated products uses spodumene concentrate. It is clear to us, given the iron content of those hard-rock projects that have recently entered the market and those that yet hope to, that there is room in the market for Frontier’s concentrate, and



that Frontier can build a very lucrative business based on the sale of nothing more than technical-grade spodumene concentrate for glass, or even as a cleaner “sweetening agent” for a lithium chemical plant . This is, after all, the base on which Talison built its business.

We maintain our POSITIVE recommendation on Frontier Lithium.



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