



Annual Information Form
For the Year Ended December 31, 2013

Dated as of March 31, 2014

Annual Information Form

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2. PRELIMINARY INFORMATION

In this Annual Information Form (the "AIF"), Frontier Rare Earths Limited is referred to as "Frontier" or the "Company". All information contained herein is as at December 31, 2013 and where applicable is in US\$ unless otherwise stated.

2.1 Financial Statements

This AIF should be read in conjunction with the Company's financial statements and Management's Discussion and Analysis ("MD&A") for the 12 months ended December 31, 2013. The financial statements and MD&A are available on the Company's website at www.frontierrareearths.com and under the Company's profile on the SEDAR website at www.sedar.com.

All financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Cautionary Statement Regarding Forward-Looking Information

Certain of the statements that are not historical facts contained in this AIF (and the Company's other disclosure documentation such as its annual and quarterly reporting to shareholders) are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements.

Such forward-looking statements include, among other things, statements regarding targets, estimates and/or assumptions in respect of reserves and/or resources, and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to under "Description of the Business - Risk Factors" herein and include unanticipated and/or unusual events. Most of such factors are beyond Frontier's ability to control or predict.

This AIF contains forward-looking statements which may not be based on historical fact. Such statements reflect the Company's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- the Company's strategy, growth, development and acquisition opportunities, return on existing assets, operational excellence and financial management;
- the Company's expectations regarding its revenue, expenses and operations;
- the Company's anticipated cash needs and its estimates regarding its capital and operating expenditures, capital requirements, needs for additional financing and the Company's ability to raise additional capital;
- the Company's estimates of future cash flows, financial condition and operating performances of the Company and its subsidiaries;
- the estimation of the Company's mineral resources and the realization of mineral reserves based on mineral resource estimates and estimated future development, if any, and possible variations of ore grade or recovery rates;
- the Company's competitive position and its expectations regarding competition from other producers globally;
- the Company's ability to maintain customer and supplier relationships;
- anticipated trends and challenges in the Company's business and the markets in which it operates, including with respect to potential new rare earth projects, supply outlook and growth opportunities;
- limitations of insurance coverage;
- the future price of and future demand for rare earth elements;
- the Company's anticipated dividend policy;
- economic and financial conditions;
- interest rates and foreign exchange rates;
- performance of counterparties in fulfilling their obligations;
- government regulation of mining operations, accidents, environmental risks, exploration risks, reclamation and rehabilitation expenses;
- title disputes or claims including those relating to Black Economic Empowerment initiatives; and
- the timing and possible outcome of pending regulatory and permitting matters.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Readers can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.

There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Such information is included, among other places, in this AIF under the headings "Description of the Business - Risk Factors".

The forward-looking statements contained herein are made as of the date of this AIF and are expressly qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances, except as required by applicable law.

Annual Information Form (continued)

2. PRELIMINARY INFORMATION (continued)

2.2 Cautionary Statement Regarding Forward-Looking Information (continued)

Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Frontier disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

3. CORPORATE STRUCTURE

3.1 Overview

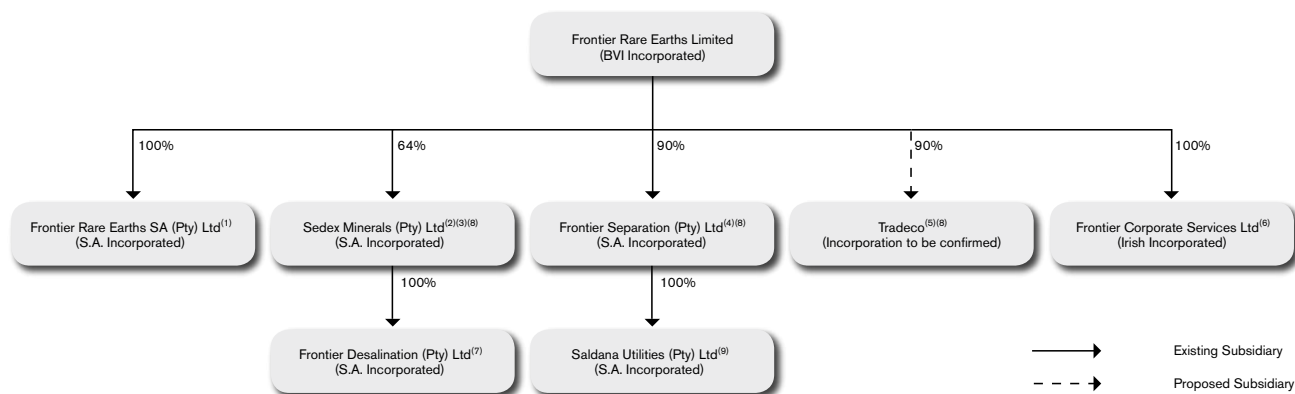
Frontier Rare Earths Limited was incorporated under the name of Frontier Minerals Limited as an international business company by a Certificate of Incorporation issued pursuant to the International Business Companies Act (British Virgin Islands) on December 20, 2002 and was automatically re-registered as a BVI Business Company under the BVI Business Companies Act 2004 (as amended) (the "BVI Act"). On June 14, 2010, Frontier Minerals Limited filed a Change of Name Notice to change its name to Frontier Rare Earths Limited. On September 22, 2010, the Company filed an amendment to its Memorandum and Articles of Association of the Company (the "Company Articles") to increase its share capital and remove private company restrictions. On November 5, 2010, the board of Directors of the Company (the "Board") approved further amendments to the Company Articles to allow for the transfer of the Company's place of central administration to Luxembourg and to include additional shareholder protections.

The registered office of the Company is PO Box 3483, Road Town, Tortola, British Virgin Islands and the Company has its principal business office at 9 Allée Scheffer, L-2520 Luxembourg, Luxembourg.

The Company is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction and resides outside of Canada. Although the Company has appointed Cassels Brock & Blackwell LLP as its agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against the Company.

3.2 Inter-corporate Relationships

Set out below is the corporate structure of Frontier and its material actual and proposed subsidiaries relating to its principal subsidiaries. The intergroup legal interests (direct and indirect) in the voting shares of each of the subsidiaries is presented in the chart below.



Notes:

- (1) Frontier Rare Earths SA (Pty) Ltd provides technical, management and related services to certain of Frontier's subsidiaries in South Africa.
- (2) In accordance with South African Black Economic Empowerment legislation, the Company has introduced Black Economic Empowerment partners to the Zandkopsdrift Project. A 26% shareholding in Sedex Minerals (Pty) Ltd is held by Black Economic Empowerment partners and is split between Martin Van Zyl (5%) and the Namaqualand Empowerment Trust (21%).
- (3) In addition to Frontier's direct interest in the Zandkopsdrift Project through its 64% shareholding in Sedex Minerals (Pty) Ltd, Frontier is also entitled to a payment from certain BEE Shareholders following the completion of a definitive feasibility study on Zandkopsdrift equal to 21% of the then valuation of the Zandkopsdrift Project, in consideration for Frontier's funding of the BEE Shareholders' share of Sedex's expenditure on the Zandkopsdrift Project up to completion of the feasibility study. This gives Frontier an effective 85% economic interest in the Zandkopsdrift Project until such payment has been received.
- (4) Frontier Separation (Pty) Ltd. has been established to construct and operate facilities to process mixed rare earth concentrate into high purity separated rare earth oxides, if such operations are ultimately located in South Africa.
- (5) Frontier intends to establish the legal entity referred to as Tradeco, whose business will be to investigate the feasibility of establishing facilities to process mixed rare earth concentrate into high purity separated rare earth oxides, and if feasible, to determine the appropriate location for such facilities and the sourcing of finance, process technology and technical operating expertise for the development and operation of such facilities. Following the establishment of such facilities "Tradeco" will be involved with the sourcing of customers and the execution of long term off-take agreements for the rare earth products produced by the separation plant.
- (6) Frontier Corporate Services Limited provides advisory and related services exclusively to Frontier and its subsidiaries through a management services agreement.
- (7) Frontier Desalination (Pty) Ltd has been established as a 100% owned subsidiary of Sedex to investigate the feasibility of the establishment of a water desalination plant to service the planned Sedex operations.
- (8) Korea Resources Corporation holds or will hold a 10% interest in each of these subsidiaries.
- (9) Saldanha Utilities (Pty) Ltd has been established as a 100% owned subsidiary of Frontier Separation (Pty) Ltd to investigate the feasibility of developing a marine outfall pipe for the disposal of brine from the planned separation plant.

3. CORPORATE STRUCTURE (continued)

3.2 Inter-corporate Relationships (continued)

Non-controlling Interests in the Business

In accordance with the relevant South African Black Economic Empowerment ("BEE") legislation, 26% of Sedex is held by BEE shareholders, namely the Namaqualand Empowerment Trust (the "Trust") (which holds 21%), a broad-based community trust established by the Company for the benefit of historically disadvantaged South Africans ("HDSAs") principally in the Namaqualand region of the Northern and Western Cape Provinces of South Africa, and Martin Van Zyl (who holds 5%) (collectively, the "BEE Shareholders"). The Company's BEE arrangements in Sedex satisfy the relevant South African legislative requirement for 26% BEE participation.

In December 2012 Korea Resources Corporation ("KORES") acquired a 10% interest in all of the current and proposed operations related to Zandkopsdrift (the "Rare Earth Operations"). The Rare Earth Operations are comprised of Sedex and Frontier Separation (Pty) Ltd. together with any other legal entities that may be established by Frontier in connection with the mining, processing of the Zandkopsdrift deposit and the trading of the rare earth products produced.

The commercial and other arrangements between the Company and KORES are governed by an agreement dated December 1, 2011 (the "Strategic Partnership Agreement") and a subsequent addendum to that agreement dated October 19, 2012 (the "Addendum Agreement"). The commercial and other arrangements between the Company, KORES and the BEE Shareholders in respect of Sedex are governed by a shareholders' agreement dated December 11, 2012 (the "Shareholders Agreement"). The Strategic Partnership Agreement, the Addendum Agreement and the Shareholders Agreement establish those provisions typically included in agreements of this nature including, among other things, management, funding, pre-emption rights, share transfers and dispute resolution.

The key terms of the Shareholder Agreement are set out directly below and the key terms of the Strategic Partnership Agreement and the Addendum Agreement are set out in clause 4.2.1 below.

The Shareholders Agreement provides that Mr. Van Zyl shall not be required to make any contribution to the capital or operating costs of Sedex until the completion of a feasibility study ("FS") on any asset(s) or project(s) of Sedex, including Zandkopsdrift, after which he will be required to provide a pro rata share of the future capital and operating costs of Sedex in regard to such asset(s) or project(s). The Shareholders Agreement also provides that the Trust will not be required to make any contribution to the capital or operating costs of Sedex until the completion of a FS on any asset(s) or project(s) of Sedex, including Zandkopsdrift, after which the Trust will be required to provide its pro rata share of capital and operating costs for Sedex, in regard to such asset(s) or project(s). In addition, upon the earlier of the completion of a FS for any project or asset of Sedex or Sedex producing positive operating cash flows resulting in funds being available for the declaration of dividends by Sedex, each such asset or project will be valued in accordance with standard international valuation practice. Within 30 days of such valuation being completed, the Trust will be required to pay to Frontier an amount equivalent to 21% of the valuation. It is anticipated that Frontier may provide vendor finance to the Trust, on terms to be agreed, to facilitate all or part of such payment to Frontier.

4. GENERAL DEVELOPMENT OF THE BUSINESS

4.1 Background

Frontier Rare Earths Limited was incorporated in 2002 with the objective of developing a portfolio of mineral exploration projects in South Africa. The Company's Directors, senior executives and consultants collectively have several decades of experience in exploration and mining in Africa, particularly in the Namaqualand region of South Africa, and this experience has been instrumental to the Company in being able to identify, secure and advance the Zandkopsdrift project and other projects that comprise the Company's exploration portfolio. Namaqualand is one of the longest established mining regions in South Africa, with a continuous history of mining ranging back over 150 years, and is considered by the Company to be a highly prospective area for, inter alia, rare earths, base metals and uranium.

The Company's exploration activities commenced in 2005 after several areas of exploration interest were identified by the Company in Namaqualand that were considered prospective for rare earths, base metals and uranium mineralization. Prospecting right applications were submitted for these areas. At the time, the Company had identified that rare earth elements, in particular, were likely to experience significantly increased and sustained demand driven by, among other things, the rapid emergence of "green technologies" and developments in the energy efficiency, automotive, digital technology, consumer electronics and other high-tech sectors. Furthermore, the reliance of Western economies on China for substantially all of its rare earth supplies, particularly the critical rare earths required for the high growth magnet and phosphor applications, had also created a compelling market opportunity for companies such as Frontier to identify and develop new, stable, Western sources of long-term rare earth supply.

Following the grant to the Company of its first prospecting rights in 2006, the Company commenced its field exploration activities. A review of the Company's exploration activities and results was carried out in 2009, following which it was decided that the Company would focus principally on rare earths, specifically the Zandkopsdrift rare earth element project (the "Zandkopsdrift Project") located in the Namaqualand region of the Northern Cape Province of South Africa.

Annual Information Form (continued)

4. GENERAL DEVELOPMENT OF THE BUSINESS (continued)

4.1 Background (continued)

The Zandkopsdrift Prospecting Right

Sedex Minerals (Pty) Ltd. ("Sedex"), a 64% owned subsidiary of the Company, was granted prospecting right 869/2007PR (the "Prospecting Right") by the South African Department of Mineral Resources ("DMR") on September 5, 2007. The Prospecting Right covers a total area of 58,862 ha in the south western part of the Northern Cape Province of the Republic of South Africa and covers the Zandkopsdrift carbonatite complex. The Prospecting Right was granted to Sedex for an initial five year period and was renewed for a further three year period on 5 February 2013. A mining right ("MR") application was submitted to the DMR in October 2013 and it is expected to take 12 to 18 months for the MR application to be considered and the MR granted. A MR can be granted for up to 30 years, with further renewals of up to 30 years each.

4.2 Three Year History

4.2.1 2013 - New Prospecting Licenses

While Frontier's primary focus remains on the development of the Zandkopsdrift Project, the Company has identified and is currently evaluating other opportunities to selectively expand its mineral project portfolio in South Africa and elsewhere in Africa. These opportunities are considered to be highly prospective and to have the potential for significant value creation for Frontier at relatively low risk and cost, and cover a range of minerals including rare earths, graphite and other strategic minerals.

In Q2 2013 the Company acquired a 70% interest through an earn-in agreement, in a private company that holds two exploration licenses in Mozambique, that are considered prospective for graphite and other minerals. Under this agreement, Frontier will, subject to, inter alia, positive results from evaluation work on the licence areas, be responsible for carrying the minority shareholders' share of expenses up to and including completion of a feasibility study. The cost of the Company's initial planned evaluation expenditure is not expected to be material to the Frontier group overall. In Q3 2013 the Company was granted an exploration licence for an area in Uganda on which graphite mineralisation has been previously identified. Initial evaluation of the area covered by this licence is currently under way and costs are not material to the Frontier group overall.

The Company has also lodged prospecting right applications for other projects in South Africa and elsewhere in Africa during 2013 and will provide an appropriate further update should any of these applications be successful. The initial expenditure commitments associated with these prospecting right applications are not expected to be material to the Frontier group overall.

4.2.2 December 2012 - Strategic Partnership with KORES

In December 2012 KORES completed the acquisition of an initial 10% interest in the Company's Zandkopsdrift Rare Earth Operations for a cash consideration of CAD\$23.8 million in accordance with the Strategic Partnership Agreement and the Addendum Agreement. These agreements contain, inter alia, the following key commercial terms:

KORES will have several options to increase its 10% interest in the Rare Earth Operations

Option A: Equal Partnership Option

KORES will have the right to acquire an additional interest in the Rare Earth Operations (the "Equal Partnership Option") following the filing by Frontier of a report prepared in accordance with NI 43-101 containing the results of a positive Feasibility Study on Zandkopsdrift (the "FS Report"). Following the exercise of this option, KORES would, subject to the satisfaction by it of the conditions of the Equal Partnership Option, as set out below, acquire up to a 50% or equal shareholding in the Rare Earth Operations with Frontier, inclusive of its current 10% shareholding. The key provisions and conditions of the Equal Partnership Option are as follows:

- KORES will be obliged to arrange a finance commitment(s) from lenders to provide project finance to cover the capital costs for the construction and development of the proposed Rare Earth Operations, including the design, procurement, construction and commissioning of all required plant, machinery and equipment (the "Project Finance Commitment"). Frontier may, in its absolute discretion, accept or reject the Project Finance Commitment. In the event that the Project Finance Commitment is rejected by Frontier the Equal Partnership Option shall be terminated.
- KORES will be obliged to provide Frontier with an irrevocable commitment to provide its pro-rata share of such part of the capital costs of the Rare Earth Operations that are not covered by the Project Finance Commitment.

The consideration payable by KORES under the Equal Partnership Option will be based on the implied market value (the "IMV") of the Rare Earth Operations and will be payable to Frontier in cash. The IMV will be based on Frontier's enterprise value ("EV"), calculated as market capitalisation less cash and cash equivalents, adjusted for Frontier's shareholdings in the various entities comprising the Rare Earth Operations. Market capitalisation will be the calculated utilising volume weighted average share price ("VWAP") for Frontier. The VWAP will be calculated as the arithmetic average of the volume weighted average closing price per share of the first seven trading days immediately after the date on which Option A is exercised and announced and the volume weighted average closing price per share of the first seven trading days after the date on which Frontier formally accepts and announces the acceptance of the project finance procured by KORES.

4. GENERAL DEVELOPMENT OF THE BUSINESS (continued)

4.2 Three Year History

4.2.2 December 2012 - Strategic Partnership with KORES (continued)

Option B: Acquisition of further 10% interest in the Rare Earth Operations and 10% interest in Frontier

As an alternative to the Equal Partnership Option, KORES will have the right to acquire a further 10% interest in the Rare Earth Operations following the filing of the FS Report (the "10% Option"). The consideration payable by KORES for the 10% Option will be based on the discounted cash flow valuation of the Rare Earth Operations as set out in the FS Report and will be payable to Frontier in cash. Subject to the acquisition by KORES of this additional 10% interest in Zandkopsdrift, KORES will then also be entitled to subscribe for up to a 10% shareholding in Frontier, based on the prevailing market price for Frontier's shares on the Toronto Stock Exchange at that time.

Option C: Alternative Strategic Investor

In the event that an alternative strategic investor ("ASI") acquires not less than a 20% interest in the Rare Earth Operations or, in certain limited circumstances, a 20% interest or more in Frontier (an "ASI Event"), prior to the exercise by KORES of the Equal Partnership Option or the 10% Option, the Equal Partnership Option will terminate and be replaced by an option under which KORES can acquire a further 10% interest in the Rare Earth Operations (the "ASI Option") for a consideration calculated on an IMV basis. The ASI option will be available to KORES as an alternative to the 10% Option and under no circumstances in addition to the 10% Option. The EV for the purposes of the ASI Option will be calculated on a similar basis to the Equal Partnership Option, except that the VWAP calculation will be based on the 15 trading days immediately after the public announcement that an ASI Event has taken place.

Calculation of the exercise price of the Options

The calculation methodology for the various options is set out in detail in the Strategic Partnership Agreement and the Addendum Agreement which are available on SEDAR, www.sedar.com.

Project Finance

Under Options A, B and C noted above KORES will, at a minimum, use its best endeavours to arrange debt finance from Korean and/or other international lenders to cover the capital requirements for the construction and development of the Rare Earth Operations. In the event that KORES fails to arrange debt finance or procures a debt finance proposal that is not acceptable to the Board of Frontier, Option A (the Equal Partnership Option) will lapse. Subject to the other pre-conditions of those options, Options B and C will still be available to KORES in the event that it does procure a debt finance proposal but that proposal is not accepted by the Board of Frontier.

Off-take Agreement

KORES has acquired the right and obligation to purchase a 10% share of rare earth production from the Rare Earth Operations. This production will be purchased by KORES on a take-or-pay basis and at prevailing international rare earth market prices at the time of purchase. KORES's off-take rights and obligations can be increased in the following circumstances:

- Off-take of 50% of the rare earth production if KORES exercises and completes the Equal Partnership Option.
- Off-take of 31% of the rare earth production if KORES acquires an additional 10% interest in the Rare Earth Operations and a 10% interest in Frontier

Frontier will have full flexibility to seek other customers/partners for the balance of the Zandkopsdrift rare earth production.

Technical and Operating Assistance

KORES will provide such technical, operating and other assistance relating to the design, planning, construction and operation of the Rare Earth Operations on terms to be agreed between Frontier and KORES.

Downstream Opportunities

Frontier and KORES have also agreed to investigate rare earth related downstream business opportunities including, but not limited to, rare earth metals, rare earth alloys, rare earth magnets and related products.

4.2.3 March 2012 - Zandkopsdrift Preliminary Economic Assessment

In March 2012 the Company published a preliminary economic assessment ("PEA") of Zandkopsdrift entitled, "Amended Independent Technical Report on the Results of a Preliminary Economic Assessment of Frontier Rare Earths Limited's Zandkopsdrift Rare Earths Project, Located in the Northern Cape Province of South Africa" dated March 30, 2012 (the "PEA Report"), prepared in accordance with NI 43-101. The PEA Report was carried out by Venmyn Rand (Pty) Ltd ("Venmyn"), one of South Africa's leading independent advisors specialising in the technical and economic evaluation of mineral projects, with contributions from a number of specialist consultants, including The MSA Group ("MSA") for mineral resource estimation, Sound Mining Solution ("SMS") for the optimised mine design and mine schedule, SGS Minerals Services ("SGS") for metallurgical test work development, and SNC-Lavalin Group ("SNC") for engineering design and capital and operating cost estimates.

Annual Information Form (continued)

4. GENERAL DEVELOPMENT OF THE BUSINESS (continued)

4.2 Three Year History (continued)

4.2.3 March 2012 - Zandkopsdrift Preliminary Economic Assessment (continued)

The highlights of the PEA Report are as follows (see also section 5.2 – The Zandkopsdrift Project):

- Net Present Value (“NPV”) of \$3.65 billion, after tax and royalties, at an 11% discount rate
- Internal rate of return (“IRR”) of 52.5% , after tax and royalties, and 2 year payback from start of production
- Average production of 20,000 tonnes of separated rare earth oxides (“REO” or “SREO”) per annum, generating average annual revenues of \$1.1 billion and an estimated operating margin of 78%
- Twenty year mine life, supported by the mining and processing of 19.5 million tonnes of material with an average in-situ grade of 3.12% total REO (“TREO”) at an average metallurgical recovery of 67%
- Capital costs of \$910 million for a 1 million tonne per annum open-pit mining operation and concentration and rare earth separation plant facilities
- Rare earth oxide ‘basket price’ of \$58.23/kg used for Zandkopsdrift production, based on an average of three-year China Free on Board average REO prices and Roskill Consulting’s mid-point 2015 REO forecasts applied to Zandkopsdrift’s in situ REO relative distribution.
- Estimated average operating costs of \$13.08/kg (excluding contingency) of separated REOs
- Conventional metallurgical process, comprising comminution, flotation, sulphuric acid cracking and solvent extraction
- Potential for life of mine to be extended beyond initial 20 years, as the PEA Report mine plan only exploits circa 60% of the current estimated TREO resource at Zandkopsdrift

Following the publication of the PEA Report the Company resolved to undertake a PFS on the Zandkopsdrift Project. The results of the PFS are expected to be published in 2014.

5. DESCRIPTION OF THE BUSINESS

5.1 General

The Company is a British Virgin Islands incorporated, Luxembourg resident, Toronto Stock Exchange listed, mineral exploration and development company with a primary focus on rare earth elements (“REE”) in Africa. The Company’s flagship asset is the Zandkopsdrift rare earth project in the Namaqualand region of South Africa which contains a substantial, international resource reporting code compliant REE resource. The Company published the PEA Report on the Zandkopsdrift Project in 2012 and is currently at an advanced stage of preparation of a PFS which is currently scheduled for completion in 2014. Subject to a positive conclusion to the PFS, the Company expects to initiate the requisite studies necessary for the preparation of a FS on Zandkopsdrift.

In addition to advancing the Zandkopsdrift Project, the Company’s other mineral exploration projects cover areas which are regarded by Frontier as having good exploration potential although they are at a relatively early stage of exploration and evaluation compared to the Zandkopsdrift Project.

The Company currently employs 36 people and has also retained a number of external technical consultants and contractors working on various aspects of the Zandkopsdrift project. Consulting companies currently providing technical services to the Company include, inter alia, SGS Mineral Services (“SGS”), The MSA Group (“MSA”), Mintek Pty Ltd (“Mintek”), Australian Nuclear Science and Technology Organisation (“Ansto”), Africa Geo-Environmental Services (“AGES”), GeoAfrica Prospecting Services, SNC Lavalin Group (“SNC”), DRA Mineral Projects (“DRA”), Venmyn Rand (“Venmyn”), Sound Mining Solutions (SMS) and Terratec.

The Company anticipates that its current working capital position will be sufficient to fully cover (i) the proposed work programs on Zandkopsdrift up to completion of a PFS, (ii) a FS, should one be undertaken based on the results of the PFS, (iii) currently planned exploration programs, and (iv) corporate overhead expenses up to completion of a FS. At December 31, 2013 the Company had approximately U.S. \$35m in cash and cash equivalents. In the event that, following a positive FS on Zandkopsdrift, the Company decides to proceed to development, it is likely that potentially significant additional equity and/or debt funding would be required to advance the project through to construction and into production.

Although rare earth prices are currently lower than their highs of recent years, it is generally expected that there will be a shortage of supply of certain rare earths, particularly the critical rare earths that are used in high growth magnet and phosphor applications, by the time that Zandkopsdrift is anticipated to come into production. This is expected to drive and support higher prices for rare earths.

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project

The information in this section 5.2 is drawn from the executive summary of the PEA Report, prepared by the PEA Report QPs (as defined herein) which has been, where appropriate, updated for subsequent developments as contained in corporate project updates issued by the Company since publication of the PEA Report. The PEA Report is available on SEDAR at www.sedar.com. The technical information related to the developments subsequent to the PEA Report has been reviewed and approved by Frontier's Vice President, Exploration, Dr. Stuart Smith BSc, PhD, who is a "Qualified Person" under NI 43-101. For further information regarding the Zandkopsdrift Project, including the quality assurance program, the quality control measures and data verification procedures, as well as other relevant technical information with respect to the project, and applicable to the developments subsequent to the PEA Report, see the PEA Report, which is incorporated by reference herein.

5.2.1 Project Description

The "Zandkopsdrift Project" comprises three separate but related components, namely:-

- an open cast mine and processing plant on the REE enriched Zandkopsdrift carbonatite, located southwest of the town Garies, in the Northern Cape Province of South Africa. The mine, processing plant (the "Process Plant") and associated infrastructure have collectively been named the "Zandkopsdrift Mine" and the property comprising the Prospecting Right on which the Zandkopsdrift Mine will be located, is termed the "Zandkopsdrift Prospect", for the purposes of the PEA. A desalination plant (the "Desalination Plant"), located southwest of the town of Kotzesrus on the west coast of South Africa on land owned by Frontier, will supply process water to the Zandkopsdrift Mine;
- a finance, technology, trading, sales and marketing company ("Tradeco"), which will source finance and technical expertise for the development and operation of a REE separation plant, arrange long term off-take agreements for the REE products produced by the separation plant and provide general sales and marketing services; and
- a REE separation plant located at Saldanha Bay (the "Saldanha Separation Plant"), which will toll treat the REE product supplied by Tradeco from the Zandkopsdrift Mine and, potentially, other rare earth mines that may be developed by Frontier. The mixed REE carbonate produced at the Zandkopsdrift Mine will be transported by road to the Saldanha Separation Plant.

5.2.2 Ownership

The Zandkopsdrift deposit is covered by Prospecting Right 869/2007, which extends over a total area of over 58,862ha in the extreme southwest portion of the Northern Cape Province, directly on the boundary with the Western Cape Province. The Prospecting Right is held by Sedex and exploration on the Prospecting Right is carried out on behalf of Sedex by Frontier's South African operating company, Frontier Rare Earths SA (Pty) Ltd. Sedex plans to mine the REE deposit and beneficiate the run of mine ("RoM") material to produce mixed rare earth carbonate ("MREC").

The proposed Saldanha Separation Plant will be operated through Frontier Separation (Pty) Ltd ("Sepco"). The Desalination Plant will operate through a subsidiary of Sedex, Frontier Desalination (Pty) Ltd.

The Zandkopsdrift Prospecting Right was granted by the South African Department of Mineral Resources ("DMR") to Sedex and covers all minerals other than diamonds, kaolin and heavy minerals. The Prospecting Right covers several farms and farm portions, including the farm Zandkopsdrift 357 Portion (Ptn) 2, which is known as the farm Pan Vlei and is owned by Sedex, on which the Zandkopsdrift carbonatite is located and the adjacent farm Klipheuwel 538 which is the subject of an option agreement and is being acquired by Sedex.

The Prospecting Right was initially granted for a period of five years to 4 September 2012 and was renewed for a subsequent three year period in February 2013. A mining right application relating to the Zandkopsdrift carbonatite and proposed mining area as identified in the PEA was made in Q3 2013.

Sedex, as the holder of the Prospecting Right, is entitled to all rights set out in Section 5(3) of the Mineral and Petroleum Resources Development Act ("MPRDA"), which permits it to prospect, use the surface and to bring plant, property and equipment onto site for prospecting purposes. Sedex is also the owner of the surface rights covering an area of approximately 4,800ha on which the Zandkopsdrift deposit is located and within which all of the infrastructure related to the planned development at Zandkopsdrift would be located.

5.2.3 Material Agreements

Sedex has complied with the HDSA equity ownership requirements as laid down by the South African Mining Charter and MPRDA, through shareholder agreements with HDSA individuals and entities that together hold 26% of the issued share capital of Sedex. The Sedex HDSA shareholding comprises a 21% shareholding owned by the Namaqualand Empowerment Trust, a broad-based community trust established for the benefit of HDSAs in the Namaqualand region of the Northern and Western Cape Provinces, where Sedex principally operates, and 5% by Mr Martin van Zyl.

In December 2012 KORES completed the acquisition of an initial 10% interest in the Rare Earth Operations in accordance with the Strategic Partnership Agreement and Addendum Agreement. The key terms of the Strategic Partnership Agreement and the Addendum Agreement are set out in section 4.2.1.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.4 Geology and Mineralisation

The Zandkopsdrift deposit is located within the Namaqua-Natal metamorphic belt which forms an arcuate belt along the southern and western margins of the Southern African Archaean Kaapvaal craton.

The western Bushmanland sub-terrane within this metamorphic belt covers an area of 60,000km² and is a tectono-stratigraphic suite represented by 2,000Ma granitic gneisses, 1,600Ma to 1,200Ma amphibolite to granulite grade supracrustal units and 1,200Ma to 1,000Ma granitoids. A Cretaceous age alkaline intrusion, the Koegel Fontein Complex, is located in the extreme southern region of the Bushmanland sub-terrane and the complex is considered to include the Zandkopsdrift carbonatite.

The Sedex Prospecting Right is located on the northern margins of the Koegel Fontein Complex and is covered by surficial Quaternary sands and unconsolidated sediments, with exposures of basement granites and gneisses restricted to the eastern and northern areas of the Prospecting Right.

The Zandkopsdrift carbonatite intrusion is ovoid in shape, approximately 1,300m x 900m in dimension and forms the low Swartkop Hill in the southeastern portion of the Prospecting Right, which rises to an elevation of 40m above the surrounding plain. Outcrop of the carbonatite is limited but information from various historic and current drilling programmes indicates that the carbonatite complex is a multi-phase, multi-facies pipe-like intrusion comprising predominantly carbonatite breccias, micaceous glimmerites and calcite carbonatite. Weathering of the carbonatite has obscured the detailed geology of the intrusion. Laterally, the complex is intensely brecciated with country-rock brecciation discernible at distances of 1km from the complex. The results of drilling programmes completed up until September 2011 have been included in the PEA Report. The results of drilling programmes completed after this date will be incorporated in an updated geological model and resource estimate as part of the PFS.

The primary REE mineralisation at Zandkopsdrift is considered to be associated with the progressive concentration of the incompatible REEs as the various carbonatite phases crystallised. The REEs are theoretically known to concentrate into the late stage ferruginous fluids and current exploration gives some indication that such late stage, high REE grade fluids formed dykes at Zandkopsdrift. Some possible late-stage remobilisation of the REEs may have occurred but superimposed upon these primary concentration mechanisms is the supergene enrichment within the highly altered, upper 80m of the complex, whereby the REEs have been enriched through leaching and replacement of the carbonate phases. Extensive replacement by secondary iron and manganese oxides produced a surface cap of ferruginous-manganiferous material, previously known as the 'Fe-Mn wad' and which is classified as limonitic Fe-Mn saprolite. The limonitic Fe-Mn saprolite, together with fragmental glimmerite and manganese laterite, comprises a major component of the deposit. The limonitic Fe-Mn saprolite forms irregularly shaped outcrops at Zandkopsdrift. The mineralisation has no discernible dip according to current understanding and is considered to be largely disseminated.

The REE enrichment has been concentrated in the western and southwestern arcuate shaped weathered portion of the carbonatite, where grades range from 1.0% to >10% total rare earth oxide ("TREO"). Within the REE enriched portion of the carbonatite, areas with TREO contents exceeding >2.0% TREO have been defined and have been termed the Central Zone by Frontier. The drilling programmes undertaken at Zandkopsdrift have also identified a series of late stage, probably hydrothermal, dykes with REE enrichment. These possible primary igneous structures vary in width from <1m to 20m and exhibit sub-vertical, dyke-like features. The intrusion of coeval or later stage, vertical to sub vertical dykes/dyke swarms, are not uncommon during the intrusive history of carbonatite magmatism.

Mineralogical studies of the weathered carbonatite show that 95% or more of the REE-bearing minerals consist of late stage, probably supergene members of the monazite group of minerals.

5.2.5 Status of Exploration

Historic exploration over the Zandkopsdrift Prospect area included geological, mineralogical and metallurgical investigations of the Zandkopsdrift carbonatite complex by academics, as well as exploration companies, over the past 40 years. The carbonatite was initially investigated for its manganese potential in the 1950s, followed by investigations into the phosphate and niobium potential, and finally for the REE potential. The majority of the exploration was carried out by the Anglo American Corporation ("Anglo American") and after Frontier was granted the Prospecting Right over the Project area in 2007, it acquired all of the Anglo American historic data and samples including diamond core, reverse circulation ("RC") drilling chips and sample pulps.

PEA Report Resource Drilling

Frontier's exploration and evaluation activities during 2009 and 2010 comprised the following and the data from the exploration programmes formed the basis of the 2010 Mineral Resource estimate by MSA:

- a geophysical ground magnetic survey to delineate the carbonatite surface extent;
- a ground radiometric survey;
- petrographic and X-ray diffraction ("XRD") mineralogical studies; and
- an 11 borehole drilling programme, totalling 820m, undertaken in 2009 to validate the historical Anglo American borehole drilling programmes and provide assay samples for those original boreholes where assay data was unavailable.

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.5 Status of Exploration (continued)

The exploration information available at September 2011 which is reported in the PEA Report, consisted of the following:-

- a Phase 1 61 borehole vertical RC drilling and sampling programme totalling 3,414m for Mineral Resource definition;
- a 12 borehole vertical diamond drilling programme for metallurgical sampling; and
- ground magnetic surveys to sterilise areas for the proposed surface mine and process plant infrastructure sites at Zandkopsdrift Mine.

The results of the 61 borehole RC drilling programme were incorporated into the 2011 Mineral Resource estimate presented in the PEA Report.

PFS Resource Drilling Update

A subsequent phase of resource drilling at Zandkopsdrift, the results of which have not been included in the PEA resource estimates, but will be included in an updated resource estimate as part of the PFS, commenced in Q2 2011 and was completed in Q4 2011. Drilling was undertaken with three diamond core drill rigs (using PQ3 bits) and one RC drill rig and was supervised by MSA. A total of 14,196 metres (reverse circulation percussion drilling - 138 holes for 8,632m) and (diamond core drilling - 68 holes for 5,563m) was completed in this phase of drilling which the Company expects will be the final phase of resource drilling at Zandkopsdrift prior to the completion of a FS on Zandkopsdrift.

The results of this drilling have allowed a detailed geological model and understanding of the geological controls on mineralisation at Zandkopsdrift to be developed. The majority of the rare earth mineralisation at Zandkopsdrift has been confirmed to be contained in weathered carbonatitic phlogopite breccia ("CPB").

The PFS resource diamond drilling was focused on the central zone of the Zandkopsdrift deposit where the RED's had intruded the CPB. Two scissor DD holes were drilled at each DD site at an inclination of -60° with the objective of intercepting the RED's at various depths, and encountered very high grades of up to 19.5% TREO. The reverse circulation drilling consisted of step-out drilling, principally to the northwest and southeast of the central zone, where mineralisation had remained open in previous drilling programs. Although the purpose of the RC drilling was principally to define the boundaries of weathered CPB mineralization, some very positive results were obtained in these peripheral areas, with grades of up to 18% TREO being encountered. A number of high grade intersections were identified down to 120 meters, and a number of holes ended in mineralization above the cut-off grade of 1% TREO.

The assay results have confirmed the presence of extensive high grade rare earth mineralisation and continuity of mineralisation from surface to an average depth of about 80 meters, with very high TREO grades in excess of 10%, and as high as 19.5%, being identified in many holes. The highest grades are associated with the zones of RED intrusion. Mineralogical analysis indicates that approximately 97% of the rare earths in the CPB and RED's are contained in monazite.

Drill Results Highlights included:

- 10.1% TREO over 10 meters (including highest grade interval of 17.8% TREO*)
- 8.2% TREO over 10 meters (including highest grade interval of 13.8% TREO*)
- 8.1% TREO over 12 meters (including highest grade interval of 18.6% TREO*)
- 7.4% TREO over 14 meters (including highest grade interval of 10.2% TREO*)
- 6.9% TREO over 11 meters (including highest grade interval of 19.5% TREO*)
- 6.6% TREO over 13 meters (including highest grade interval of 11.3% TREO*)
- 6.5% TREO over 13 meters (including highest grade interval of 11.1% TREO*)
- 6.3% TREO over 23 meters (including highest grade interval of 13% TREO*)
- 6.2% TREO over 19 meters (including highest grade interval of 18.6% TREO*)
- 5.7% TREO over 31 meters (including highest grade interval of 10% TREO*)
- 5.4% TREO over 23 meters (including highest grade interval of 10.1% TREO*)

* minimum interval length of 1 metre

In addition, the drilling identified numerous continuously well mineralised intervals from surface, including:

- 4.6% TREO from surface to 59 meters
- 4.5% TREO from surface to 85 meters
- 4.2% TREO from surface to 81 meters
- 3.9% TREO from surface to 64 meters
- 3.7% TREO from surface to 67 meters
- 3.7% TREO from surface to 51 meters
- 3.5% TREO from surface to 52 meters

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.5 Status of Exploration (continued)

The assay results and an updated geological model have been incorporated by MSA into a revised mineral resource estimate, the results of which will be published with and incorporated into the PFS. The Company expects that the updated mineral resource estimate will result in the majority of the Zandkopsdrift mineral resource being upgraded to the measured and indicated categories and, upon receiving positive results upon completion of the PFS, converted into proven and probable reserves.

5.2.6 Development and Operations

PEA Report

The mine design and costing assessment for the Zandkopsdrift Project PEA were undertaken by SMS. The 2011 Mineral Resource estimate at a cut-off grade of 1.0% TREO, formed the basis of the mine design. For the purposes of the PEA the mine design was based on a selected portion of the 1.0% TREO Mineral Resource, which is a high grade zone, termed the Central Zone, consisting of the mineralisation above a cut-off grade of 2.0% TREO. The average in situ grade of the Central Zone within the proposed mine plan is 3.12% TREO, excluding mining dilution.

The mine design for the Zandkopsdrift carbonatite consists of a conventional open pit layout with a single entry access ramp. The carbonatite is highly weathered and consequently excavation will consist of a mix of free digging, ripping and conventional drill and blasting methods. Mining will be undertaken by excavator loading of ore and waste on articulated dump trucks and haulage via the planned access ramp to the Process Plant. The mine geotechnical study resulted in the proposal that mining should progress from surface from the southwest at bench heights restricted to a maximum height of 6m. The mining area within the mineralisation will be continuous to a depth of at least 70m to 90m below surface. Possible underground extensions of the mine design were not included in the PEA Report mine design.

The mineralisation is classified into the following categories for the mine design purposes:-

- the Central Zone, which comprises material with in situ TREO contents of >2.0% TREO, which will form the RoM feed to the Process Plant;
- the Outer Zone, which comprises material with TREO contents ranging between 1.0% TREO and 2.0% TREO. Some of the Outer Zone material will be mined to provide access to the Central Zone material and will be stockpiled close to the Process Plant. For the purposes of the PEA, the Outer Zone material is not treated, but represents RoM plant feed that will be included in the mine plan for the PFS; and
- the Low Grade Zone, which comprises material with TREO contents of <1.0% TREO, which for the purposes of mine planning will be considered waste material.

The pit optimisation defined a life of mine ("LoM") of 20 years based solely on the exploitation of the Central Zone material and the LoM could be significantly extended by the inclusion of the Outer Zone material into the mining schedule. The mining schedule has been guided by the following design criteria:-

- an output of 20,000tpa (now expected to be developed on a phased basis) of recovered separated rare earth oxides based on an average overall metallurgical recovery of 67%;
- the recovery of the 20,000tpa SREOs to be restricted to the Central Zone material only;
- Outer Zone material to be stockpiled separately for potential future processing and extension of LoM;
- steady state mining conditions achieved in Year 2;
- an approximate steady state mining production rate of 1.0Mtpa of Central Zone material;
- dilution at 0%; and
- TREO mining losses of 7.5%.

The target 20,000tpa of SREO is achieved throughout the LoM with an intentional production build-up from 80% in Year 1 to full steady state by Year 2. The waste to mineralised material ratio changes throughout the LoM, with the initial stages during which the mineralisation is above ground level, having low waste tonnages. The stripping ratio progressively increases as the mine matures and more waste must be removed to access the mineralisation. The pit optimisation estimates that 19.5Mt of Central Zone material (>2.0% TREO) will be mined over the LoM with 563,000t contained TREO, which will convert to 378,000t saleable SREOs.

PFS Update

SMS was appointed to develop the mine design and costing assessment for the Zandkopsdrift Project PFS. An extensive program of work has been undertaken by SMS on the mine design for Zandkopsdrift and all necessary mine design, geotechnical and related studies required for the PFS have now been completed, including:

- Full geotechnical investigation of the Zandkopsdrift deposit.
- Mine optimisation inputs and mine design work.
- Mine pit design.
- Surface layouts supporting the final mine pit design.
- Proposed production schedule.
- Processing plant layout.

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.7 Recovery and Beneficiation

PEA Report

The metallurgical testwork for the PEA was undertaken by SGS on composited samples of the Central Zone material and based on these results the process design was undertaken by SNC. The process flow assessment was based on the requirement to produce 20,000tpa of SREO at purities between 99% and 99.999% for the final product produced at the Saldanha Separation Plant.

The initial phase of metallurgical testwork completed by SGS has indicated that from the deslimed <15µm fraction at least 60% REE recoveries can be achieved to 40% of the feed material mass by rougher flotation. Based on these results, the process route for the PEA was selected based on this testwork. The Process Plant at the Zandkopsdrift Mine comprises a front-end physical upgrading section (the "Concentrator Plant"), which includes a crushing and milling section and beneficiation of the deslimed fraction through a flotation circuit. The concentrate is then recombined with the slime fraction and fed to the acid leach section, termed the Acid Cracking Section.

The Concentrator Plant can be simplified to exclude the flotation section, thereby eliminating the flotation concentrate and resulting in a 'Whole Ore Cracking' process flow option. The process option which includes the flotation circuit ('Flotation and Cracking') has the advantage of a lower total acid requirement to achieve the required TREO, with resultant logistic and environmental residue disposal benefits. The overall TREO recovery of the 'Flotation and Cracking' option selected for the PEA is 67%. The PEA was based on the 'Flotation and Cracking' option with an Acid Cracking Section sized to handle the required throughput for the 'Whole Ore Cracking' option, so that the process design remains sufficiently flexible for either process option to be ultimately adopted.

The Acid Cracking Section is supplied with concentrated sulphuric acid produced in an onsite Sulphuric Acid Production Plant. Concentrated sulphuric acid is mixed with the plant feed and the acidified concentrate is baked in a rotary kiln to decompose the rare earth minerals. The roasted concentrate is subsequently water leached and REE carbonates precipitated as a 99% pure MREC and dried. Thorium, uranium and iron contaminants are removed by precipitation and disposed of to the tailings disposal facility ("TDF"). The environmental study shows that the implementation of a Radiation Management Programme to identify and manage any potential issues from run-off and seepage control from the TDF will be sufficient to mitigate the risk and reduce the impact of the radionuclides to negligible.

A portion of the Process Plant site has been allocated for potential future removal of uranium by solvent extraction to produce a saleable by-product.

Following the bulk precipitation of the MREC at the Zandkopsdrift Mine, it will be transported to the Saldanha Separation Plant where it will undergo solvent extraction to produce high purity SREOs.

PFS Update

The majority of the metallurgical test work for the PFS (the "PFS Test Work") has been carried out by Mintek in South Africa and SGS Minerals Services in Canada, who are two of the world's leading rare earth metallurgical test work laboratories. The primary focus of the PFS Test Work has been on optimisation of the flow sheet that was used for the PEA, the replication and confirmation of results from bench scale PEA test work at a pilot scale and the evaluation of process alternatives that could provide advantages in relation to capital expenditure, operating costs, metallurgical recoveries, impurity department and other factors.

In order to supply sufficient representative material for the PFS Test Work, a 174 metre long trench was excavated to a depth of between 1.5 and 2.5 metres across the centre of the Zandkopsdrift deposit. The sampling protocol followed was for the surface material to be discarded, the middle layer to be laid out and compacted to create a platform, with the lowest layer of material excavated from the trench being placed on top of the platform to be made up into the test work sample. The trench intersected the principal rock types that comprise the Zandkopsdrift deposit, including the CPB and RED's, and the average grade along the floor of the trench was estimated (using a handheld x-ray fluorescence spectrometer ("XRF")) to be 2.8% TREO. This has allowed a sample of 135 tonnes to be prepared for the PFS Test Work that is considered to be representative of the material to be mined at Zandkopsdrift in terms of both lithology and average TREO grade.

The rare earths at Zandkopsdrift are contained in monazite (97%), for which a sulphuric acid cracking process has been widely used on a commercial scale for many years, and this process has been used as the basis for the flow sheets for both the PEA and PFS. In the sulphuric acid process concentrated sulphuric acid is mixed with the feed material and baked in a rotary kiln to crack the rare earth minerals. The baked material is then water leached and the rare earths are precipitated as a mixed rare earth carbonate suitable for feeding to a rare earth separation plant.

The primary focus of the PFS metallurgical test work campaign has been on optimisation of the flow sheet that was used for the PEA, confirmation at a pilot scale of results from bench scale PEA test work and the evaluation of potential process improvements that could provide advantages in relation to capital expenditure, operating costs, metallurgical recoveries, impurity department and other factors.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.7 Recovery and Beneficiation (continued)

A number of potential improvements have been identified by the PFS test work, the most notable of which are:

- An impurity pre-leach circuit prior to the cracking circuit, which provides a significant mass reduction with low rare earths losses, and a consequent reduction in both capital and operating costs of the cracking and other downstream processes.
- Identification of acid contacting equipment capable of preparing a free flowing feed for the acid cracking stage of the plant, which is expected to significantly reduce the costs of materials handling and cracking operation.
- A potentially significant reduction in residence time for the acid cracking stage.
- The addition of a high temperature bake stage that results in the recovery of up to 75% of the sulphuric acid consumed by the acid cracking stage.
- The introduction of a two stage water leach which increases the overall rare earth recovery from the cracking stage
- A significant reduction in the impurities reporting to the water leach stage, which reduces the costs of leach solution purification prior to the precipitation of the rare earths.

Confirmatory test work covering all major process steps, including the above improvements, was substantially completed in Q4 2013 and Q1 2014 to date. It is anticipated that the improved PFS flowsheet will be finalised in early Q2 2014, which will allow the remaining PFS engineering design work to be completed and the results of the PFS to be published later in 2014.

5.2.8 Project Infrastructure

PEA Report

The total 10.0MW (12.5MVA) bulk power requirement of the Zandkopsdrift mine will be supplied by co-generation from the steam produced in the exothermic Sulphuric Acid Production Plant. The power supply to the Saldanha Separation Plant will be sourced from Eskom, the South African National power authority. The Desalination Plant will be supplied by diesel generated power and the booster pumps at Kotzesrus will be diesel driven.

The total water requirements for the Zandkopsdrift Mine will be supplied from a water desalination plant located on the west coast and demineralised water will be transported by pipeline through Kotzesrus to the mine.

The Zandkopsdrift TDF was designed by Epoch Resources (Pty) Ltd for the expected LoM of 20 years, with a total capacity of 1.0Mt of dry tailings products per annum and a rate of rise of 1 m/yr. The Zandkopsdrift Mine metallurgical extraction processes are complex and will result in the production of two tailings streams, one of which is expected to be contaminated with thorium, uranium and high levels of salts and metals, referred to as the contaminated tailings, and the other consisting of uncontaminated tailings.

A preliminary safety and environmental hazard classification of the proposed Zandkopsdrift TDF has been carried out in terms of the requirements of the South African National Standards ("SANS") Code of Practice for Mine Residue Deposits (SANS 0286:1998). The results indicate that whilst the TDF could constitute a significant risk to the environment given the expected production of a contaminated tailings product, the various mitigating controls proposed in the environmental study would result in the TDF being considered a Low Hazard facility. The TDF is designed as a concentric structure with a lined inner compartment for the contaminated tailings and an outer structure for the uncontaminated tailings. The lined portion of the TDF into which the contaminated tailings are deposited would be supplied with a leakage detection and collection system, whilst the portion of the TDF into which the uncontaminated tailings are deposited is not expected to require lining. The proposed run-off and seepage control measures will mitigate the any risk associated with radionuclides and therefore the environmental impacts associated with the implementation of the Project can be effectively reduced to negligible.

PFS Update

One of the key components of the Zandkopsdrift project infrastructure is the dedicated sea water reverse osmosis desalination plant that will provide process water to support mining and processing activities at Zandkopsdrift. Following the completion of a detailed review, a preferred site has been selected for the desalination plant at Volwater Bay, approximately 35 km southwest of Zandkopsdrift. The property on which the desalination plant is located has been acquired by the Company. The preliminary design of the bulk water transfer infrastructure, power supply and access road from Zandkopsdrift to the desalination plant have now been completed.

The geotechnical investigation of various TDF sites at Zandkopsdrift has been completed. Sterilisation drilling of the TDF footprint has also been completed. The revised TDF site layout drawings indicating the final footprint as well as the preliminary layouts of waste dumps and haul roads have been completed.

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.9 Saldanha Bay Rare Earth Separation Plant

PEA Report

The PEA Report contained a design for the SSP, which has a target 20,000 tonnes per annum output capacity. Mixed rare earth carbonate will be transported from Zandkopsdrift to the SSP, where it will be dissolved in hydrochloric acid into an aqueous solution. The resultant solution will undergo a multi-stage solvent extraction and stripping process to produce ten separated saleable REOs, from lanthanum to dysprosium, plus yttrium, at purities of between 99% and 99.999%.

PFS Update

Design work for the Saldanha Bay Rare Earth Separation Plant ("SSP") for the PFS was completed in Q3 2013. The Company has since identified a number of process technology improvements that it intends to incorporate into the PFS. The additional design work required to do so is expected to commence in Q2 2014.

The Company has identified an alternative site for the SSP to that proposed in the PEA. This site is also located within the South African Government designated industrial development zone at Saldanha Bay, but is better situated in relation to its proximity and access to power, water, road and rail. The site, which is approximately 60 hectares in size, has been secured under option, with exercise of the option by Frontier conditional upon, inter alia, the securing of the requisite planning and permitting for development of the SSP and the provision by the landowner of certain infrastructural upgrades and improvements to the site.

Discussions are at an advanced stage between Frontier and an established South African chemical company in relation to the development and operation of a dedicated chlor-alkali plant to be located adjacent to the SSP on the same land over which the Frontier has an option, in order to secure a supply of hydrochloric acid and sodium hydroxide on an 'over-the-fence' basis. As reagents account for the majority of operating costs of a rare earth separation plants, with hydrochloric acid and sodium hydroxide being the single biggest contributors thereto, it is expected that the proposed arrangement, if finalised, will provide significant advantages to the Company in relation to securing a long term supply of reagents for the SSP at stable and competitive prices.

The Company has progressed discussions with the local Saldanha Municipality regarding a regional marine outfall project in the Saldanha area (the "SRMO" project). The SRMO will be used to dispose of the brine (waste salt water) generated from the SSP, treated effluent from a proposed municipal waste water treatment works and the effluent from the proposed chlor-alkali plant. A topographical survey has been completed on the preferred pipeline route between the selected marine disposal location and the SSP and a preliminary engineering design has been completed.

The Company has appointed specialist engineering and environmental consultants to assist with the engineering design and environmental permitting process.

5.2.10 Mineral Resource and Mineral Reserve Estimates

PEA Report

Frontier's exploration programmes were independently designed, monitored and managed by MSA and a set of industry standard operating procedures was adopted, which ensured best practice and the integrity of the data. The analytical methods adopted for the assay samples and laboratories employed are considered appropriate. MSA concluded that appropriate QA/QC procedures were applied by Frontier and that analytical issues were identified and appropriate remedial action taken. Industry standard practices were followed and the quality of the Frontier database meets NI 43-101 standards and CIM best practice guidelines.

The Mineral Resource estimate for the PEA was conducted by MSA and independently reviewed by Venmyn. A Mineral Resource estimate was prepared by MSA in 2010 and the 2011 Mineral Resource estimate used in the PEA only incorporated results from the first phase of resource drilling to the end of September 2011 and not the final phase of resource drilling completed subsequent to that date, as described in 5.2.5

The geological and mineralisation model was sufficiently understood after the first phase of resource drilling to permit the generation of a mineralised envelope for the purposes of the PEA. Lithologies within the mineralised envelope were not modelled and a TREO grade-only approach was adopted. The Mineral Resource estimate is presented in the table below for the selected economic cut-off grade of 1.0% TREO and the 2.0% TREO, Central Zone.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.10 Mineral Resource and Mineral Reserve Estimates (continued)

Mineral Resource Estimate for Zandkopsdrift (PEA)

TREO CUT-OFF GRADE (%)	TONNAGE (Mt)	GRADE TREO (%)	CONTAINED TREO (t)
Indicated Mineral Resources			
1.0	32.35	2.28	738,881
2.0	16.01	3.09	495,056
Inferred Mineral Resources			
1.0	10.13	2.08	210,420
2.0	4.53	2.85	129,162

Source: MSA

Mineral Resources reported inclusive of Mineral Reserves (no Mineral Reserves have been reported for Zandkopsdrift Project)

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

In situ estimation with no geological losses estimated

Frontier 85% effective interest attributable

The PEA Report includes an estimate of the relative abundance of individual REOs in the mineralization envelope. Applying these relative REE distributions to the mineral resource estimate, the resultant indicative individual REO contents can be calculated for the total Mineral Resource at a cut-off grade of 1.0% TREO, as shown in the table below.

Indicated Mineral Resources		Inferred Mineral Resources	
Oxide	Tonnes (000's)	Oxide	Tonnes (000's)
La2O3	187.45	La2O3	53.38
Ce2O3	325.52	Ce2O3	92.70
Pr2O3	34.15	Pr2O3	9.72
Nd2O3	117.31	Nd2O3	33.41
Sm2O3	16.76	Sm2O3	4.77
Eu2O3	4.36	Eu2O3	1.24
Gd2O3	10.46	Gd2O3	2.98
Tb2O3	1.22	Tb2O3	0.35
Dy2O3	5.73	Dy2O3	1.63
Ho2O3	0.96	Ho2O3	0.27
Er2O3	2.35	Er2O3	0.67
Tm2O3	0.29	Tm2O3	0.08
Yb2O3	1.63	Yb2O3	0.46
Lu2O3	0.22	Lu2O3	0.06
Y2O3	30.47	Y2O3	8.68
Total	738.88	Total	210.42

Source: MSA 2011

Mineral Resources reported inclusive of Mineral Reserves (no Mineral Reserves have been reported for Zandkopsdrift Project)

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

In situ estimation with no geological losses estimated

TREO cut-off grade 1.0% TREO

Frontier effective interest 85% attributable

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.10 Mineral Resource and Mineral Reserve Estimates (continued)

The PEA on the Zandkopsdrift Project included approximately 27% of the total Mineral Resource which was classified in the Inferred category. The inclusion of such Inferred Mineral Resources in the PEA is permissible in accordance with NI 43-101 Section 2.3 (3)(a). However, it must be noted that the PEA is preliminary in nature, and includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as Mineral Reserves and there is no certainty that the PEA will be realised.

PFS Update

Results from the final phase of resource drilling completed after September 2011 is described in 5.2.5 above and will be incorporated in an updated Mineral Resource estimate for the planned PFS. The Mineral Resources have not yet been converted to Mineral Reserves and this conversion will be an integral component of the PFS. The Company expects that the updated mineral resource estimate to be issued in conjunction with the PFS will result in the majority of the Zandkopsdrift mineral resource being upgraded to the measured and indicated categories and, as part of the PFS, be converted into proven and probable reserves.

5.2.11 Environmental Studies

PEA Report

Preliminary Environmental Assessments of the Zandkopsdrift Mine and the Saldanha Bay Separation Plant were completed by African Geo-Environmental Services (Pty) Ltd and included several environmental specialist fatal flaw analyses and impact assessments in terms of botany, archaeology, air quality, water baseline, human health risk and radiology impact. An independent legal opinion assessed the environmental legal requirements for the Zandkopsdrift Project and concluded that, whilst the Zandkopsdrift Project needs to comply with a number of legislative requirements, no legal fatal flaw was identified.

The pathways of potential radiation exposure were identified but the potential radiological impact to members of the public in the vicinity of the Zandkopsdrift Mine is not expected to be above the public dose limits of 1 mSv per annum. The environmental impacts associated with the implementation of the Project can be effectively avoided or mitigated which reduces the impact to negligible. Effective environmental management throughout the Project phases will mean that the environmental risks identified are not significant enough to be considered a fatal flaw.

PFS Update

Zandkopsdrift Mine

A MR application for Zandkopsdrift was submitted to the Department of Mineral Resources in October 2013 and a letter of acceptance was received in October 2013. A draft scoping report was submitted in November 2013 in line with regulatory requirements. Public open days were held during the last week of November 2013.

Desalination Plant

The Desalination Plant EIA application was submitted to the Department of Environment and Nature Conservation, Northern Cape Province in March 2013. A letter of acceptance was received in April, 2013 and a draft scoping report submitted in August 2013 in line with regulatory requirements. Public open days were held during September 2013, and initial feedback from the surrounding communities has also been positive. The final scoping report was issued to all interested and affected parties for comment in February 2014 for a 21 day commenting period.

Saldanha Separation Plant

The SSP EIA application was submitted to the Department of Environment and Nature Conservation, Western Cape Province in February 2013. A letter of acceptance was received in March 2013 and a draft scoping report submitted in August 2013 in line with regulatory requirements. A public open day was held in September 2013 and initial feedback from the communities has been positive with good support being expressed for the project. The final scoping report was issued to Department of Environment and Nature Conservation, Western Cape Province in January 2014. A letter of acceptance was received in February 2014 for the final scoping report.

Saldanha Regional Marine Outfall Project

The Saldanha Regional Marine Outfall Project EIA application was submitted to the Department of Environment and Nature Conservation, Western Cape Province in July 2013. A letter of acceptance was received in August 2013 and a draft scoping report submitted in October 2013 in line with regulatory requirements. A public open day was held in October 2013.

ESKOM Power Line EIAs

The EIA applications for the proposed power lines to link both the Zandkopsdrift Mine and the Saldanha Separation Plant to the Eskom grid are being managed by Eskom and conducted by external consultants. Both EIAs have completed the Scoping Phase of the EIA process and are both progressing well.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.12 Capital and Operational Expenditure

PEA Report

The estimated total capital expenditure ("Capex") of \$910m for the Zandkopsdrift Project (excluding contingency) includes Capex requirements for the Zandkopsdrift Mine, related infrastructure and services, land purchases, mine closure and rehabilitation provision, upgrading of local district roads, the Social and Labour Plan ("SLP") provision, the Saldanha Separation Plant and related infrastructure and services.

The average operational expenditure ("Opex") for the Zandkopsdrift Project is USD13.08/kg (excluding contingency) saleable SREO (\$291/t RoM) which is determined from the Opex of each Project component.

The total financial liability for the closure of Zandkopsdrift Project without progressive environmental rehabilitation is estimated to be \$10.1m. If the recommended progressive rehabilitation is performed over the LoM, then the remainder of the total liability required at closure is estimated at \$5.5m. An initial rehabilitation fund contribution is estimated to be \$1.9m and the concurrent rehabilitation contribution to the Rehabilitation Fund will be \$0.3m.

PFS Update

Updated capital and operating costs estimates will be generated for the PFS following completion of the remaining engineering work as detailed above.

5.2.13 Mining Right Application

The MR application for Zandkopsdrift was submitted to the South African Department of Mineral Resources (the "DMR") in October 2013. It is expected that consideration and approval of the MR application and issuance of the MR will take approximately 12-15 months from application.

A Social and Labor Plan ("SLP") is one of the key documents submitted as part of a MR application. The purpose of an SLP is to specify the commitments that an applicant for a MR is prepared to make in relation to the development and support of the community in which the proposed mining operation will be located. The SLP contains comprehensive human resource development programs, including an employment equity plan, a mine community development plan and a plan to manage downscaling and retrenchment when mining operations are concluded. These programs are aimed at promoting employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socio-economic development and minimizing the impact of cyclical commodity price volatility, economic turbulence and physical depletion of the mineral resource on effected individuals, regions and local economies.

As part of the process of development of the SLP, the Company held more than 200 consultation meetings over an 18 months period with more than more than 1,000 people representing a very broad range of interested and effected parties in the Zandkopsdrift area. Through this process Frontier engaged with, and established widespread support from, local communities, political, business and traditional organisations and leaders. The Company believes that this consultation will ensure the fullest support from local and central government for the development of Zandkopsdrift. The Zandkopsdrift SLP has been completed and was submitted with the MR application.

5.2.14 Economic Analysis

PEA Report

For the purposes of the REO price forecasts in the PEA, the Zandkopsdrift 'basket price' was estimated at \$58.23/kg SREO, based on the average of:-

- the three year historic average free on board China ("FoB") prices to December 1, 2011 (\$64/kg); and
- the midpoint of Roskill Consulting's forecast price range for 2015 (\$52/kg) in their Market Outlook to 2015 report published in November 2011.

The basket price excluded the then current REO prices which were considered to be biased by the recent inflated rare earth market. The \$58.23/kg TREO basket price used in the PEA represented a 58% discount to the FoB price and a 20% discount to the current China domestic price as at December 1, 2011 (the reference point for the PEA).

The Zandkopsdrift Project was independently valued by Venmyn using the Cash Flow valuation and the Market Comparison methods. Venmyn selected the results of the Cash Flow valuation as being the most representative of the Project value. A valuation range of \$3.0 billion to \$4.5 billion was determined, with a Preferred Value of \$3.6 billion. The estimated Project payback period is 2 years from start of production, with a post-tax IRR of 52.5%.

PFS Update

A full review of the economic parameters of Zandkopsdrift including capital expenditure, operating costs and rare earth price forecasts is being undertaken and will be published as part of the PFS.

5. DESCRIPTION OF THE BUSINESS (continued)

5.2 The Zandkopsdrift Project (continued)

5.2.15 PEA Report Conclusions and Recommendations

The results of the PEA conducted on the Zandkopsdrift Project indicate that a viable open pit mining and processing operation can be undertaken to produce 20,000tpa SREO for a LoM of 20 years subject to further metallurgical testwork and confirmation of the anticipated Capex and Opex costs during the subsequent PFS and FS phases of the Project. The required infrastructure in terms of power and water can be adequately provided, for the most part, independently of national supply. Viable process design options have been identified and some participation and off-take agreements concluded. Potential environmental risks have been identified and can be managed or successfully mitigated. No environmental or legal permitting fatal flaws have been identified.

The PEA mine design has been limited to the exploitation of the Central Zone material at a >2.0% TREO cut-off grade. Upside potential therefore exists for treating the Outer Zone material, with TREO grades between 1.0% and 2.0% TREO, which was mined to provide access to the Central Zone and stockpiled on surface for potential future processing. Furthermore, the mining operation can be extended to include the remainder of the Outer Zone material which was not mined for the purposes of the PEA. Exploration efforts have identified satellite bodies to the main carbonatite which may represent upside potential for the Project.

Venmyn concluded that the PEA had been conducted well within industry standards and comprehensively examined at a PEA accuracy level or higher, all the necessary components of the Project. Venmyn considered that the costs and price estimates are realistically conservative and that the Zandkopsdrift Project is economically robust. The TREO basket price would have to fall to half of its then current projected value and Opex increase considerably to produce a negative Project NPV. An independent risk assessment confirmed that the Project is low risk, and given these conclusions Venmyn considered that further evaluation is warranted and recommended that the proposed PFS be undertaken.

5.3 Risk Factors

5.3.1 Risks relating to the Company's Exploration and Development Activities

a) The exploration for and development of mineral deposits is and will be subject to inherent operational risks and hazards:

The exploration for, and development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production. The investment involves a high degree of risk and should only be considered by those persons who can afford a total loss of their investment. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. While the discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish additional mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; rare earth prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors, most of which are outside of the Company's control, cannot be accurately predicted, but the combination of these factors may result in Frontier not receiving an adequate return on invested capital.

Mining operations, such as those potentially proposed at the Zandkopsdrift Project, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Mining and treatment operations are subject to hazards such as equipment failure, changes in mineral characteristics such as rock hardness and mineralogy which may impact production and recovery rates. Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. An adequate water supply for operations would be required in order to place the Zandkopsdrift Project into production. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such supply or related infrastructure could adversely affect the Company's operations and financial condition.

Although Frontier's activities are primarily directed towards the development of mineral deposits at the Zandkopsdrift Project, Frontier continues to explore other areas with rare earth element potential. There is no certainty that the expenditures made by Frontier towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of rare earth elements or any other minerals.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.1 Risks relating to the Company's Exploration and Development Activities (continued)

- b) The development of any of Frontier's mineral projects into commercially viable mines cannot be assured:

The Zandkopsdrift Project has no operating history upon which to base estimates of future commercial viability. Recovery levels for mineral deposits are based upon metallurgical testing of samples taken from drill samples. Numerous factors may affect the recoverability of mineral deposits from any given rock and tests of such samples may not be representative of recoveries to be obtained from the entire deposit. The Company's overall metallurgical recoveries may not be adequate for the Zandkopsdrift deposit to be viable.

In addition, estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes, assays and other exploration techniques and feasibility studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that the actual capital cost, operating costs and economic returns of any proposed mine may differ from those estimated and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to complete development of its mineral projects, or any of them, at all or on time or on budget due to, among other things (and in addition to those factors described above) changes in the economics of the mineral projects, delays in receiving required consents, permits and licenses and rights (including mining rights), access to infrastructure, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Frontier's operations. Should any of these events occur, it would have a material adverse effect on Frontier's business, financial condition, results of operations and prospecting.

- c) Frontier's resource estimates are based on interpretation and assumptions and the Company's projects may yield less mineral production under actual conditions than is currently estimated:

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resource grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, rare earth prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Zandkopsdrift Project. In addition, there can be no assurance that recoveries in small scale metallurgical laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The data for mineral resources contained in this document are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that any particular levels of recovery will be realized or that mineral resources identified could be mined or processed profitably. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. The Company and the qualified persons have carefully prepared and verified the mineral resource figures and believe the methods of estimating mineral resources have been verified by mining experience. All mineral resource estimates have been prepared in accordance with NI 43-101. However, such figures are estimates, and no assurance can be given that the indicated level of mineral will be produced. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Mining and metallurgy are an inexact science and accordingly there always remains an element of risk that a mine may not prove to be commercially viable. In addition, fluctuations in the price of rare earths may render mineral resources containing lower grades of mineralization uneconomic. Market price fluctuations for rare earths may render the present mineral resources unprofitable for periods of time.

Fluctuation in the prices of REE, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. Any material reductions in estimates of mineral resources, or of Frontier's ability to extract these mineral resources, could have a material adverse effect on Frontier's results of operations and financial condition.

- d) There is uncertainty relating to inferred mineral resources and there is no assurance inferred mineral resources will be upgraded to resources with sufficient geological continuity.

There is a risk that inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.1 Risks relating to the Company's Exploration and Development Activities (continued)

- e) Extraction of minerals from identified mineral deposits may not be economically viable.

The economic viability of a mineral deposit, including at any current project in which Frontier has or may have an interest, is dependent upon a number of factors, not all of which are within the control of Frontier. These include deposit attributes such as size, grade and proximity to infrastructure, structural complexity including faulting and potholing, government regulation and the grant of any mining right(s), the prevailing price for such minerals, prevailing currency exchange rates, land tenure and titles, availability of capital and other factors. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and consequently there can be no assurance that any of Frontier's projects will be brought into commercial development.

- f) The Company is dependent on the Zandkopsdrift Project

The Zandkopsdrift Project presently accounts for substantially all of Frontier's mineral resources and the potential for the future generation of revenue. Any adverse development affecting the progress of the Zandkopsdrift Project such as, but not limited to, the ability of Frontier to hire and retain suitable personnel and contractors, raise additional capital and secure supply agreements on commercially suitable terms may have a material adverse effect on Frontier's financial performance, results of operations and business outlook for the Company. See "— Risks Specific to South Africa".

- g) Fluctuations in demand for, and prices of, rare earths and rare earth products cannot be accurately predicted and could significantly affect Frontier's potential profitability.

As Frontier's main source of revenue will be the sale of rare earths in separated and/or mixed form, changes in demand for, and the market price of, REE and products could significantly affect the Company's potential future profitability. The value and price of Frontier's issued and outstanding Shares and Frontier's financial results may be significantly adversely affected by declines in the prices of rare earths. Rare earth prices can fluctuate widely due to a number of factors including there being no transparent, two-way market or spot price for rare earths, the small number of rare earth suppliers and the fact that approximately 90% of global supply currently comes from Chinese production sources. The price of rare earths will be influenced by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, global and regional consumption patterns, the world supply of and demand for rare earths, their intermediate and end product uses, market behaviour of current rare earth supply sources and the instability of exchange rates can all cause significant fluctuations in rare earth prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments particularly in China. The effect of these factors cannot be accurately predicted. The price of rare earths and mineral commodities more generally has fluctuated widely in recent years and future price declines could cause commercial production to be uneconomic, thereby having a material adverse effect on the Company's business and financial condition and the value and price of the Shares. The profitability or otherwise of the potential development of Company's mineral properties will also be heavily dependent on the costs of consumables, particularly fuel, energy, chemical reagents and other products which may be required to be used in future exploration, development and treatment operations.

Rare earth product prices declined throughout 2012 but stabilised in early 2013 and increased in mid 2013 and declined again in Q4 2013. Although rare earth prices appear to have since stabilised, a prolonged or significant economic contraction worldwide could put further downward pressure on market prices of rare earth minerals and products. Protracted periods of low prices for rare earth minerals and products could significantly reduce revenues and the availability of required development funds in the future. This could impair asset values and reduce the Company's rare earth resources.

Demand for REE may be impacted by demand for downstream products incorporating rare earths, including hybrid and electric vehicles, wind power equipment and other clean technology products, as well as demand in the general automotive and electronic industries. Lack of growth in these markets may adversely affect the demand for the Company's rare earth resources.

In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to rare earth minerals supply and demand and ultimately to the broader markets. Periods of high rare earth mineral market prices generally are beneficial to our financial performance. However, strong rare earth mineral prices also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for rare earth minerals and products, and at the same time may incentivize development of otherwise marginal rare earth mining properties.

- h) An increase in the global supply of rare earths, dumping and predatory pricing by Frontier's competitors may materially adversely affect the Company's profitability.

The pricing and demand for Frontier's anticipated production of rare earth products is affected by a number of factors beyond Frontier's control, including growth of economic development and the global supply and demand for rare earth oxide products. China is estimated to have accounted for approximately 90% of global rare earth oxide production in 2013. The historic and forecast increases in rare earth projects may accelerate the development of new sources of supply and the increased competition may lead suppliers and market participants to engage in predatory pricing behaviour. Any increase in the amount of rare earth products exported from other nations and increased competition may result in price reductions, reduced margins and loss of potential market share, any of which could materially adversely affect Frontier's potential profitability. As a result of these factors, Frontier may not be able to compete effectively against current and future competitors.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.2 General Risks Relating to the Company

- a) The Company has limited operating history, and is not sufficiently funded to complete the construction of a REE processing plant. Failure to obtain additional financing when needed would have a material adverse effect on the Company's business.
- The Company has a limited history of operations and is in the early stage of its corporate development. As such, the Company is subject to many risks typical of such enterprises, including a lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its relatively early stage of operations. While the Company has been successful in raising financing to date and has successfully listed on the TSX, there can be no assurance that it will be able to do so in the future or that the terms of such financing, if available, would be favourable and not involve substantial dilution to existing shareholders. Trading in the Company's shares has been relatively limited over the past 12 months and in current market conditions it appears unlikely that any meaningful new funds could be raised through new equity issuance. This may require the Company to consider alternative market strategies potentially including further share buybacks, delisting and/or listing on an alternative stock exchange(s). The Company has earned no revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for development and construction of the Company's properties even if the Company's exploration programme is successful. Furthermore, additional financing will be required to continue the development of Zandkopsdrift. Failure to obtain such additional financing when needed could result in delay or indefinite postponement of further exploration and development of the Company's properties and would have a material adverse effect on the Company's business, financial condition and prospects.
- b) The Company has no assurance in relation to prospecting rights.
- Although Frontier has exercised due diligence with respect to determining that its prospecting rights are valid and in good standing, there is no guarantee that the prospecting rights will not be challenged or impugned, which, if successful, could impair development and/or operations or limit Frontier's ability to enforce its rights with respect to the relevant projects.
- c) Changes to licensing and permit requirements may affect the Company's operations.
- Many of the mineral rights, interests and agreements of Frontier are subject to government approvals, licenses and permits. Frontier believes it holds all necessary licenses and permits under applicable laws and regulations to explore and develop its properties and believes that it is presently complying in all material respects with the terms of such license and permits. However, such licenses and permits are subject to change in various circumstances. The granting, renewal and continued effectiveness of such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Frontier will be successful in maintaining any or all of the various approvals, agreements, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, Frontier may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.
- d) The Company may require additional financing.
- Frontier may be required to raise and service additional future indebtedness. In addition, if it is required to service such indebtedness, there can be no assurance that such financing will be available to Frontier or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of Frontier, the interests of shareholders in the net assets of Frontier may be diluted. Any failure of Frontier to obtain the required financing on acceptable terms could have a material adverse effect on Frontier's financial condition, results of operations and liquidity and require Frontier to cancel or postpone planned capital investments.
- e) The Company does not intend to pay dividends in the foreseeable future.
- Frontier anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including Frontier's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.
- f) The Company faces strong competition in the acquisition of properties and critical resources, and the recruitment and retention of suitable personnel.
- The mining industry is competitive in all of its phases and significant competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, Frontier faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, REEs. Much of this competition is from larger, better established mining companies with greater financial resources, operational experience and technical capabilities than Frontier. As a result of this competition, Frontier may be unable to maintain or acquire rights to explore additional attractive REE projects on terms it considers acceptable. Accordingly, there can be no assurance that Frontier will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If Frontier is not able to acquire such interests, this could have an adverse impact on future cash flows, earnings, results of operations and financial condition.

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.2 General Risks Relating to the Company (continued)

In addition, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling and other equipment and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules. There is very limited availability of suitable personnel with sufficient, direct experience of rare earth exploration, development, mining or production.

The rare earths mining and processing markets are capital intensive and competitive. Chinese competitors in particular may have greater financial resources, as well as other strategic advantages to maintain, improve and possibly expand their facilities. Additionally, the Chinese producers have historically been able to produce at relatively low costs due to domestic economic factors and operational conditions which places them at a considerable advantage to Frontier.

- g) Current global financial conditions can negatively affect the Company's ability to obtain financing.

Financial markets globally have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the ability of Frontier to raise equity capital, obtain loans and other credit facilities in the future and, if obtained, on terms favourable to Frontier. If these increased levels of volatility and market turmoil continue, Frontier may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of Frontier's securities in an adverse manner.

- h) Frontier cannot maintain insurance against all potential risks.

Frontier's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Frontier's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although Frontier maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. Frontier may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Frontier or to other companies in the mining industry on acceptable terms. Frontier might also become subject to liability for pollution or other hazards which may not be insured against or which Frontier may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Frontier to incur significant costs that could have a material adverse effect upon its financial performance, results of operations and business outlook of the Company.

- i) The Company's operation faces inherent environmental risks and changes in environmental regulations may negatively impact the Company's operations.

All phases of Frontier's operations are subject to environmental laws and regulations in the jurisdiction in which Frontier operates, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, Directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Frontier's operations.

Potential production of rare earth products will involve the use of various chemicals and the production of by products, including those which are designated as toxic or hazardous substances. Frontier may need to address contamination at its properties, and this may subject Frontier to liability for the investigation and remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

- j) Currency fluctuations may adversely affect the Company's financial position and operating results.

Frontier's revenue from operating activities are expected to be received principally in United States dollars, while the majority of its operating expenses are expected to be incurred in South African Rand and other foreign currencies. From time to time Frontier will borrow funds and will incur capital expenditures that are denominated in foreign currency. Accordingly, foreign currency fluctuations may adversely affect Frontier's financial position and operating results.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.2 General Risks Relating to the Company (continued)

- k) Enforcement of judgements or bringing actions against the Company, its Directors, and officers may not be possible.

The majority of Frontier's Directors reside outside of Canada. Substantially all of the assets of these persons and of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the Directors, officers and experts of Frontier. It may also not be possible to enforce against Frontier, certain of its Directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. A final and conclusive monetary judgment for a definite sum obtained against the Company in the courts in Canada would be treated by the courts of the British Virgin Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provide that:

- (i) the courts had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (ii) the judgment given by the courts was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- (iii) the judgment was not procured by fraud;
- (iv) recognition or enforcement of the judgement in the British Virgin Islands would not be contrary to public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

- l) The Company may experience difficulty attracting and retaining qualified personnel.

Frontier's ability to manage its operations, exploration and development activities, and hence its success, depends in large part on its ability to retain current personnel and attract and retain new personnel, including management, technical workers and an unskilled workforce. Frontier's ability to recruit and assimilate new personnel will be critical to its performance. Frontier will be required to recruit additional personnel and to train, motivate and manage its employees. In addition, Frontier depends on a relatively small number of key management and technical personnel, the loss of any of whom could have an adverse effect on Frontier. Frontier currently does not have key person insurance for these individuals. The international mining industry is very active and Frontier is likely to face increased competition for personnel in all disciplines and areas of operation. There is no assurance that Frontier will be able to attract and retain personnel to staff the exploration, development and operating teams.

- m) Directors and officers may be subject to conflicts of interests.

Certain Directors and officers of the Company are or may become associated with other natural resource companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the Directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the Directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these Directors and officers.

5.3.3 Risks Specific to South Africa

- a) The Company's exploration activities are in South Africa and are subject to the risks of political and economic instability associated with that country.

The Company will conduct exploration and development activities in South Africa which has, from time to time, experienced economic or political instability. The Company may be materially adversely affected by risks associated with conducting exploration and mining activities in South Africa, including political instability and violence; war and civil disturbance; acts of terrorism; expropriation or nationalization or other forms of resource nationalism; inequitable treatment of non-domiciled companies; changing fiscal regimes; fluctuations in currency exchange rates or exchange control policies; high rates of inflation; underdeveloped industrial and economic infrastructure; and unenforceability of contractual rights.

- b) Government regulations may have an adverse effect on Frontier's exploration and development activities and potential future mining operations.

Frontier's exploration and future development, mining and processing activities are subject to various laws, royalties and taxes, export licenses, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although Frontier's mining and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development or otherwise have a materially adverse effect on Frontier's financial condition and results of operations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Frontier and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.3 Risks Specific to South Africa (continued)

Government regulations may have an adverse affect on Frontier's exploration activities, development projects and future mining operations. Prospecting in South Africa is regulated by the MPRDA. Frontier's exploration activities, development projects and future mining operations are subject to the MPRDA and the MHS Act. Every application for a mining right must demonstrate that:

- the mineral can be mined optimally in accordance with the mining work programme;
- the applicant has access to financial resources and has the technical ability to conduct the proposed mining operation optimally;
- the financing plan is compatible with the intended mining operation and the duration thereof;
- the mining will not result in unacceptable pollution, ecological degradation or damage to the environment;
- the applicant has provided financially and otherwise for the prescribed social and labour plan;
- the applicant has the ability to comply with the relevant provisions of the MHS Act;
- the applicant is not in contravention of any provision of the MPRDA; and
- the granting of such right will further the objects of substantially and meaningfully expanding opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources and promote employment and advance the social and economic welfare of all South Africans in accordance with the Mining Charter and the prescribed social and labour plan.

The obtaining of prospecting and mining rights or licenses can be complex and time consuming and Frontier cannot assure whether any necessary rights and licenses will be obtainable on acceptable terms, in a timely manner or at all. It is not possible to guarantee compliance with BEE legislation required under the MPRDA or the Mining Charter. The costs and delays associated with obtaining necessary permits and complying with the permits and applicable laws and regulations could stop, delay or restrict Frontier from proceeding with exploration activities or with development of future mining operations. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruptions or restriction of exploration activities, development of mining operations, or fines, penalties or other liabilities, or prevent the grant of or result in the revocation of prospecting and/or mining rights already granted. Frontier will be obliged to continue with on-going obligations in relation to its continued exploration and development activities. The Company will have to comply with the requirements set out in its prospecting right work programme and environmental management programme; failure to do so may result in suspension or cancellation of its prospecting right by the Minister of Minerals and Energy.

In the event of prospecting operations revealing an economically exploitable resource, the holder of the prospecting right has an exclusive right to apply for and be granted a mining right in respect of the mineral and prospecting area in question, subject to an application in terms of the MPRDA and compliance with the MPRDA. The application for a prospecting permit and a mining right is a detailed and time consuming process. Title to, and the area of, prospecting and mining rights may be disputed or challenged. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an effect on the Company's business, financial conditions and results of operations.

- c) Failure to comply with BEE requirements could jeopardize Frontier's ability to obtain and retain mining and prospecting rights. Although Sedex currently complies with the Mining Charter and the BEE participation requirements, no assurance can be given that Sedex will be able to meet the objectives of and maintain compliance with any revisions of the Mining Charter and BEE participation requirements going forward. Any failure by Sedex to satisfy the relevant BEE requirements could jeopardize the Zandkopsdrift Project and impede Frontier's ability to acquire, develop or maintain any additional mining rights or properties. There is also no guarantee that the interests of Frontier will be wholly aligned with the interests of its direct or indirect BEE Shareholders. Any misalignment of such interests could create uncertainty for Frontier or impede Frontier's ability to comply with BEE requirements and/or continue its development initiatives in South Africa. Furthermore, in a recent amendment to the Mining Charter, regarding the stated aims of the MPRDA and the requirement for 26% HDSAs ownership in mining companies by 2014, the DMR confirmed that a failure by a mining company to comply with the HDSAs ownership requirements as set out in the MPRDA and the Mining Charter entitles the Minister of the DMR to revoke those mining rights.
- d) The condition of South Africa's power supply may negatively affect the Company's operations. While the supply of power from Eskom, the State energy company, has been increasing, aided by the slower economic growth in South Africa and the curtailment of production by high-demand users such as smelter operations, there can be no assurance that the Zandkopsdrift Project and the Company's other South African projects will not be negatively impacted by the power supply situation on either an operating or cost basis in the future.
- e) Frontier is subject to exchange control regulations that may affect the Company's ability to borrow funds and guarantee obligations of the Company's subsidiaries.

South African law provides for exchange control regulations which restrict the export of capital by residents from the common monetary area, which includes South Africa. These regulations apply to transactions involving South African residents, including both natural persons and legal entities. These regulations also affect Frontier's ability to borrow funds from non-South African sources for use in South Africa and to repay these borrowings from South Africa and, in some cases, its ability to guarantee the obligations of subsidiaries with regard to these borrowings. Although the government has expressed an intention to gradually relax exchange control regulations with a view to ultimately eliminating exchange controls, there is no certainty that exchange control regulations will be reduced or eliminated.

Annual Information Form (continued)

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.3 Risks Specific to South Africa (continued)

- f) Labour instability may negatively impact Frontier's operations.

Workers at various South African mining operations have been demanding, through their unions, higher compensation as a result of increased revenues in the mining sector being driven by heightened mineral prices. Strikes have occurred during some negotiations with unions. Any such labour instability could potentially negatively impact the Company's development and production plans.

5.3.4 Risks Related to the Securities of the Company

- a) There is no assurance that public market for Shares will be maintained.

An active and liquid market for the Shares may not be maintained. If an active public market is not maintained, the trading price of the Shares may decline and the liquidity of investors' Shares may be limited. This may require the Company to consider alternative market strategies potentially including further share buybacks, delisting and/or listing on an alternative stock exchange(s).

- b) The market price for Shares may be volatile and subject to wide fluctuations.

The market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Frontier's control, including the following: actual or anticipated fluctuations in Frontier's quarterly results of operations; recommendations by securities research analysts; changes in the economic performance or market valuations of other rare earth companies; addition or departure of Frontier's executive officers and other key personnel; sales or perceived potential sales of additional Shares or other securities of the Company; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Frontier or its competitors; operating and share price performance of other companies that investors deem comparable to Frontier; and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REE or related industries.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if Frontier's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Frontier's operations could be adversely impacted and the trading price of the Shares may be adversely affected.

- c) A small number of shareholders hold approximately 76% of the current issued and outstanding Shares.

As of the date hereof, Kensington Nominees Limited, Lambeth Nominees Limited, Westminster Nominees Limited and Blenheim Management Services Limited own an aggregate of 67,690,000 Shares, representing approximately 75.58% of the current issued and outstanding Shares.

- d) Future sales of Shares by existing shareholders may decrease the trading price of Shares.

Sales of a large number of Shares in the public markets, or the potential for such sales, could decrease the trading price of the Shares and could impair Frontier's ability to raise capital through future sales of Shares.

- e) Issuance of additional securities can result in the dilution of the Shares.

The Company may in the future grant to some or all of its Directors, key employees and consultants options ("Options") to purchase Shares at exercise prices equal to market prices at times when the public market is depressed. To the extent that significant numbers of such Options are granted and exercised, the interests of then existing shareholders of the Company will be subject to additional dilution. Further, any additional issuance of equity securities following the closing of the Offering could dilute the interests of existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust the ratio of any future debt to equity and to satisfy the Company's obligations upon the exercise of outstanding Options or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares.

5. DESCRIPTION OF THE BUSINESS (continued)

5.3 Risk Factors (continued)

5.3.3 Risks Specific to South Africa (continued)

e) Issuance of additional securities can result in the dilution of the Shares (continued)

The Board may issue additional shares, without any vote or action by Frontier's shareholders. If Frontier were to issue any additional shares, the percentage ownership of existing shareholders may be reduced and diluted. In addition, the Board may determine the price, rights, preferences, privileges and restrictions, including voting, dividend and conversion rights, of each series of Frontier's shares and determine to whom they shall be issued. There are currently no preference shares outstanding and Frontier has no present plans to issue any preference shares. However, the rights of the holders of any series of preference shares that may be issued in the future may be senior to the rights of holders of the Shares, which could preclude holders of the Shares from receiving dividends, proceeds of a liquidation or other benefits. The issuance of preference shares, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire control of Frontier, for example, by discouraging an unsolicited acquisition proposal or a proxy contest, the effect of which may be to deprive the Frontier's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Frontier.

6. DIVIDENDS

The Company has not paid any cash dividends on its Shares in the past three years and does not intend to declare any in the foreseeable future. Payment of any future cash dividends will be at the discretion of the Company's Board of Directors following consideration of the Company's operational performance and cash needs.

7. DESCRIPTION OF CAPITAL STRUCTURE & MARKET FOR SECURITIES

No new Shares were issued in 2011, 2012 or 2013. The number of Shares in issue in the Company is 89,562,781.

On May 25, 2012, the TSX accepted the Company's Notice of Intention to make a normal course issuer bid (the "NCIB") for the period from May 29, 2012 to May 28, 2013. In accordance with the terms of the NCIB, the Company was authorized to purchase up to 1,000,000 Shares during the period of the NCIB, representing 1.1% of the then issued and outstanding Shares. As at December 31, 2013 the Company had acquired a total of 1,000,000 Shares under the NCIB in accordance with the rules of the TSX.

On April 26, 2013, the TSX accepted the Company's Notice of Intention to make an additional normal course issuer bid (the "Second NCIB") for the period from April 30, 2013 to April 29, 2014. In accordance with the terms of the Second NCIB, the Company was authorized to purchase up to 1,500,000 Shares during the period of the Second NCIB, representing 1.7% of the then issued and outstanding Shares. As at December 31, 2013 the Company had acquired a total of 305,292 Shares under the Second NCIB in accordance with the rules of the TSX.

The Shares acquired under the NCIB and the Second NCIB are held as treasury shares by the Company and have not been cancelled. These Shares will not be voted at the meeting by the Company. A copy of the Company's NCIB Notices may be obtained free of charge on request from the Company as set out under "Additional Disclosure".

The Company has authorised share capital of 350 billion Shares. Shares entitle the holder to one vote per ordinary share held at shareholder meetings of the Company. Shares are entitled to dividends if declared and are entitled to share in the proceeds of a winding up of the Company.

The Company has issued and cancelled the following options to employees, consultants and Directors:

Services	Issued	Cancelled/ Expired
2013	2,763,580	(4,610,756)
2012	3,377,836	-
2011	725,000	-

In addition in November 2010 1,087,962 options and 608,925 options on warrants were issued to the underwriters in connection with the initial public offering, these options and warrants were not exercised and expired on 17 November 2012.

The total number of options in issue at December 31, 2013 is 7,117,844. 6,867,844 of these options have a seven year life with an exercise price of between CAD\$0.43 and US\$2.00 per Share. 250,000 of these options have a two year life with an exercise price of between CAD\$0.75 and CAD\$1.25 per Share.

Annual Information Form (continued)

8. MARKET FOR SECURITIES

The Company's Shares trade on the Toronto Stock Exchange under the symbol FRO. High and low closing prices and average daily volumes for the Shares are set out in the table below.

	Share price (CAD \$)		Average Daily Volume
	High	Low	
January 2013	0.96	0.65	45,400
February 2013	0.80	0.63	24,300
March 2013	0.68	0.53	38,100
April 2013	0.61	0.46	24,800
May 2013	0.60	0.47	14,200
June 2013	0.50	0.44	14,900
July 2013	0.47	0.38	147,700
August 2013	0.40	0.36	232,100
September 2013	0.42	0.35	104,800
October 2013	0.47	0.39	22,200
November 2013	0.41	0.35	64,000
December 2013	0.40	0.28	39,400
January 2014	0.42	0.36	34,600
February 2014	0.39	0.36	19,000

9. DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

Name, State and Country of Residence	Position within the Company	Principal Occupation for the preceding 5 years	Date Directorship commenced ⁽³⁾	Common Shares Owned or Controlled
James Kenny Dublin Ireland	CEO	CEO of Frontier Rare Earths Limited, prior thereto Chairman of Frontier CF Limited, and CEO of Frontier Advisers Limited	24 February 2010	2,372,527 (2.65%)
Philip Kenny London United Kingdom	Chairman ⁽¹⁾	Consultant, prior thereto Executive Chairman of Firestone Diamonds plc and prior thereto Chief Executive of Firestone Diamonds plc	9 January 2007	210,000 (0.23%)
Paul McGuinness Dublin Ireland	CFO	CFO of Frontier Rare Earths Limited, prior thereto a director of Frontier CF Limited	27 September 2010	352,000 (0.39%)
Anu Dhir Ontario Canada	Non-Executive Director ⁽²⁾	Managing Director of Miniqs (Consulting company), Director of Atlatsa Resources Corporation, Energulf Resources Inc. and Golden Star Resources Ltd.	17 November 2010	122,799 (0.14%)
Crispin Sonn Cape Town South Africa	Non-Executive Director ⁽¹⁾⁽²⁾	Executive Director of Old Mutual South Africa (Insurance and banking)	17 November 2010	24,569 (0.03%)
John Hulme Scholes Johannesburg South Africa	Non-Executive Director ⁽¹⁾⁽²⁾	Attorney specialising in mining law in South Africa, Non-executive director of West Wits Mining Limited, Randgold and Exploration Company Limited and, Diamondcorp PLC, formerly an executive director of Aquarius Platinum South Africa	8 October 2013	(0%)

(1) Member of the Compensation Committee. Crispin Sonn is the Chair of the Compensation Committee

(2) Member of the Audit Committee. Anu Dhir is the Chair of the Audit Committee.

(3) Each of the Directors will hold office until the next annual general meeting

9. DIRECTORS AND OFFICERS (continued)

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's Directors or executive officers is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a Director, chief executive officer or chief financial officer of any company (including Frontier) that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

- a) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the Director, chief executive officer or chief financial officer was acting in the capacity as Director, chief executive officer or chief financial officer; or
- b) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the Director or executive officer ceased to be a Director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as Director, chief executive officer or chief financial officer.

Other than as disclosed in this document, none of the Company's Directors or executive officers, or shareholders holding a sufficient number of our securities to affect materially control of Frontier:

- a) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a Director or executive officer of any company (including Frontier) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director, executive officer or the shareholder; or
- c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. James Kenny is a former non-executive Director of Axeon Holdings plc ("Axeon"), a UK company involved in the manufacture of batteries. Axeon was listed on the AIM market of the London Stock Exchange. In April 2009, following the technical breach by Axeon of a net debt:EBITDA covenant on certain loans, Axeon was placed into 'pre-pack' administration from where it was acquired by the lender with no loss to creditors. Mr. Kenny resigned from the board of Axeon when its AIM listing was terminated and was not the subject of any criticism, censure or negative commentary by the London Stock Exchange, the administrator, the shareholders or any other party in relation to this matter.

Ms. Dhir became a director of Great Basin Gold Ltd. in 2011 after certain loans and debentures which caused its ultimate insolvency in 2012 (disclosed in at www.sedar.com) had already been issued. Ms. Dhir resigned in mid-2013 after Great Basin and certain affiliates had sought creditor protection in connection with these loans and debenture.

9.3 Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest between the Company and any Directors or officers of the Company.

10. AUDIT COMMITTEE

10.1 Audit Committee Charter

The main responsibilities of the Audit Committee are set out in its charter, which is included at Schedule "A" to this AIF. The text of the Audit Committee Charter is also available on SEDAR at www.sedar.com.

10.2 Composition of the Audit Committee

In 2013 the Audit Committee was comprised of three directors of the Company. Anu Dhir (Chair) and Crispin Sonn were members for the full year. From January 1, 2013 to his resignation as a director on February 21, 2013 Eamonn Grennan, was a member of the Audit Committee. From February 21, 2013 to October 8, 2013 Philip Kenny was a member of the Audit Committee. From October 8, 2013 onwards John Hulme Scholes was a member of the Audit Committee. All of the Audit Committee members who served during the year were financially literate for purposes of NI 52-110. All of the Audit Committee members who served during the year were independent for purposes of NI 52-110, with the exception of Philip Kenny, who was appointed to the Audit Committee temporarily under the exemption provided for in NI 52-110 for the temporary appointment of a non-independent director to the Audit Committee in the event of the resignation of an Independent Director.

Annual Information Form (continued)

10. AUDIT COMMITTEE (continued)

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Anu Dhir

Anu Dhir holds a Bachelor of Arts degree from the University of Toronto and a law degree (Juris Doctor) from Quinnipiac University, Connecticut, United States. Ms. Dhir has extensive experience in international business, operations and legal affairs in private equity and publicly-held companies in the mining, oil and gas and technology sectors. From January 2006 to October 2009, Ms. Dhir served as Vice President, Corporate Development and Company Secretary at Katanga Mining Limited, a TSX-listed company, and is currently Managing Director of Miniqs Limited, a private group primarily interested in resource projects that have the capability to grow into major producing operations. Ms. Dhir is a non-executive Lead Director and audit committee member of Atlatsa Resources Corporation, a South African platinum group metals producer listed on the TSX, NYSE Amex Equities and the Johannesburg Stock Exchange and also a non-executive director and audit committee member of Energulf Resources Inc listed on the TSX.V and Golden Star Resources Ltd listed on the TSX and the NYSE AMEX.

Crispin Sonn

Crispin Sonn has a Bachelor of Arts from the University of Cape Town and an Honours degree in Business and Administration from the University of Stellenbosch. Mr. Sonn has also completed the Advanced Management Program (AMP) at Harvard Business school. Since 2003 Mr. Sonn has held various positions at Old Mutual South Africa, a subsidiary of Old Mutual plc, the London listed and largest integrated financial services company in South Africa. Currently, Mr. Sonn is the Managing Director for certain retail businesses within Old Mutual South Africa. He is also Chairman of the Old Mutual Foundation, the philanthropic arm of the Old Mutual group. Mr. Sonn was the founding Chairman of FoodBank South Africa, a founding member of the FoodBank Foundation and also currently acts as a non-executive Director of Holdsport a listed retailer. Mr. Sonn is a member of the Board of Advisers for the Graduate School of Business at the University of Cape Town and served on the Council of the University of Cape Town for eight years.

John Hulme Scholes

Mr Scholes specialises in mining and mineral law and has practised exclusively in the field for 15 years. He was a partner at Werksmans Attorneys (a leading South African law firm) from 1999 to 2008 and a non-executive director of Aquarius Platinum South Africa ("AQPSA") from 2004 until 2008, when he became an executive director of AQPSA. In 2010 Mr Scholes returned to the legal profession as a mining and mineral law advisor and is a principal of Malan Scholes Inc., a firm of attorneys based in Johannesburg, South Africa, that specialises in mining & resources. Mr Scholes is also a non-executive director of West Wits Mining Limited (listed on the Australian Stock Exchange), Randgold and Exploration Company Limited (listed on the Johannesburg Securities Exchange), Diamondcorp PLC (listed on the AIM market of the London Stock Exchange) and Lace Diamond Mining Company (Pty) Limited (a subsidiary of Diamondcorp PLC).

10.3 Pre-Approval Policies and Procedures

The Audit Committee shall approve in advance any retainer or other fee of the external auditors to perform any non-audit service to the Company that it deems advisable in accordance with applicable securities law and exchange requirements and Board-approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member(s) of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

10.4 Group External Auditor Service Fees

For the financial years ended December 31, 2013 and 2012, the Company's external auditors, Grant Thornton Limited, charged the following aggregate fees to the Company:

Services	2013 US\$	2012 US\$
Audit Fees	63,000	61,000
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-

11. LEGAL PROCEEDINGS

There are no material legal proceedings relating to the Company of which the Company is aware and there are no proceeding contemplated.

There have been no penalties or sanctions imposed against the Company by a court and the Company has not entered into any settlements before a court relating to securities legislation or any other matter.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no Director or executive officer of the Company and no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of Frontier's outstanding Shares, nor any associate or affiliate of any such Director, executive officer or 10% holder, has had any material interest, directly or indirectly, in any transaction with Frontier within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Frontier.

On November 7, 2012, the Company announced it would not complete the in specie dividend distribution ("Distribution") of holdings in a number of the Company's South African subsidiaries (the "Spin-out Subsidiaries") to the shareholders (the "Pre-IPO Shareholders") in the Company prior to the Offering, which include certain Directors and officers of the Company. The Spin-out Subsidiaries hold prospecting rights for a number of areas in the Namaqualand region that cover a range of minerals, including rare earths. The Spin-out Subsidiaries will remain subsidiaries of the Company, on the basis that the Pre-IPO Shareholders provide a full and final release from all rights and entitlement to the Distribution and that the Company reimburses certain non-material costs (amounting to less than \$100,000 which relate inter alia to the maintenance of the Spin-out Subsidiaries' prospecting rights while awaiting DMR approval).

13. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. Its principal offices are located at:
100 University Avenue,
8th Floor,
Toronto, ON M5J 2Y1, Canada.

14. MATERIAL CONTRACTS

The Strategic Partnership Agreement and The Addendum Agreement described in section 4.2.2 are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into during the year or in prior years that are still in effect. These agreements are available at SEDAR, www.sedar.com.

15. INTERESTS OF EXPERTS

The PEA Report on the Zandkopsdrift Project filed by the Company on SEDAR on March 30, 2012 provides an independent review of mining, metallurgical, engineering and economic potential of the Zandkopsdrift Project and an estimate of the mineral resources. The consultants who are responsible for the PEA Report are listed in the table below (collectively, the "PEA Report QP's"). Each of the PEA Report QP's are independent as such term is defined in N1 43-101.

Name	Company	Primary Responsibility
Fiona Harper	Venmyn	Overall responsibility for the Preliminary Economic Assessment
Pete Siegfried	GeoAfrica	Geology
Mike Venter	MSA	Resource Estimation and Geology
Mike Hall	MSA	Resource Estimation
James Brown	SGS	Metallurgy
Graham Stripp	SMS	Mine Planning
Craig de Jager	SNC	Engineering
Jansen Scheepers	SNC	Engineering
Guy Wiid	Epoch Resources	Tailings Dam Facility
Koos Viver	AGES	Environmental
Michael Grobler	AGES	Environmental

Each of the companies and PEA Report QPs held less than one percent of the outstanding securities of the Company or of any associate or affiliate of the Company when they prepared the PEA Report or following the preparation of PEA Report. None of the aforementioned firms or PEA Report QP's received any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of the PEA Report.

None of the aforementioned firms or PEA Report QPs, nor any directors, officers or employees of such firms, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

The technical and scientific information herein related to developments subsequent to the PEA Report has been reviewed and approved by Frontier's Vice President, Exploration, Dr. Stuart Smith BSc, PhD. who is a "Qualified Person" under NI 43-101. Dr. Smith holds less than one percent of the outstanding securities of the Company or of any associate or affiliate of the Company.

The Company's consolidated financial statements for the financial year ended December 31, 2013 have been audited by Grant Thornton Limited, an independent registered public accounting firm.

Annual Information Form (continued)

15. INTERESTS OF EXPERTS (continued)

As of the date of this AIF, the partners, employees and consultants of Grant Thornton Limited as a group, and the entities and the partners, employees and consultants thereof listed in the table above do not beneficially own, directly or indirectly, any of the outstanding securities of the Company or of any associate or affiliate of the Company.

16. ADDITIONAL DISCLOSURE

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Shareholders may contact the Company by email at IR@frontierrareearths.com in order to obtain, without charge, copies of the NCIB Notice, financial statements, MD&A and this AIF.

Additional information including Directors' and officers' remuneration and indebtedness, and principal holders of securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, is contained in the Company's information circular for its upcoming annual general meeting.

Additional financial information is provided in the Company's comparative financial statements and MD&A for the financial year ended December 31, 2013.

SCHEDULE A – Audit Committee

FRONTIER RARE EARTHS LIMITED AUDIT COMMITTEE MANDATE

As of November 1, 2010

1. Introduction

The Audit Committee (the “Committee” or the “Audit Committee”) of Frontier Rare Earths Limited (the “Company”) is a committee of the Board of Directors (the “Board”). The Committee shall monitor the accounting and financial reporting practices of the Company, the audits of the Company’s financial statements and exercise the responsibilities and duties set out in this Mandate.

2. Membership

2.1 Number of Members

The Committee shall be composed of at least three members of the Board.

2.2 Independence of Members

Each member of the Committee must be independent, subject to limited exceptions set out in the Canadian Securities Administrators’ National Instrument 52-110 – Audit Committees, as may be amended from time to time (“NI 52-110”). The meaning of “independence” shall have the meaning given to it in NI 52-110.

2.3 Chair

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a chair of the Audit Committee (the “Chair”). The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this Mandate, work with the management of the Company (“Management”) to develop the Audit Committee’s annual work-plan and provide reports and recommendations of the Audit Committee to the Board as appropriate.

2.4 Technical Expertise and Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall be “financially literate”, subject to such exemptions that may be available under NI 52-110. An individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

2.5 Term of Members

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Members may be re-appointed by the Board.

3. Meetings

3.1 Number of Meetings

The Committee may meet as many times per year as necessary to carry out its responsibilities.

3.2 Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

3.3 Calling of Meetings

The Chair, any member of the Audit Committee, the external auditors of the Company (the “External Auditors”), the Chairman of the Board, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company’s Corporate Secretary who will notify the members of the Audit Committee. Notice of a meeting of the Audit Committee shall be given not less than five days prior to the scheduled date of the meeting. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

3.4 Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

SCHEDULE A – Audit Committee (continued)

3. Meetings (continued)

3.5 Attendance of Non-Members

The External Auditors may be requested to attend and/or be heard at Audit Committee meetings. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

3.6 Meetings without Management

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which Management is not present, as it deems necessary.

3.7 Procedure

The procedures for holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

3.8 Access to Management and Auditors

The Committee shall have unrestricted access to Management and employees and the books and records of the Company and the External Auditors.

3.9 Outside Advisors

The Audit Committee has the authority to set the pay and compensation of any advisors employed by the Audit Committee.

4. Duties And Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "Applicable Requirements").

4.1 Financial Reports

(a) General

The Audit Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The External Auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements as required.

(b) Review of Annual Financial Reports

The Audit Committee shall review the annual consolidated audited financial statements of the Company and its subsidiaries (the "Group"), the External Auditors' report thereon and the related management discussion and analysis of the Group's financial condition and results of operation ("MD&A"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) Review of Interim Financial Reports

The Audit Committee shall review the interim consolidated financial statements of the Group and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

(d) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee may, inter alia, as it deems appropriate:

- (i) meet with Management and the External Auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the External Auditors;
- (iv) discuss with Management, the External Auditors and legal counsel any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by Management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by Management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable accounting standards;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by Management;
- (viii) review Management's report on the effectiveness of internal controls over financial reporting;

4. Duties And Responsibilities (continued)

4.1 Financial Reports (continued)

- (ix) review the factors identified by Management as factors that may affect future financial results;
- (x) review results of the Company's Whistleblower Policy; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the External Auditors, Management, or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

(e) Approval of other Financial Disclosures

The Audit Committee shall review and, if advisable, approve or recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing, or substantially based upon, the annual or quarterly financial results of the Company and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated.

4.2 External Auditors

(a) General

The Audit Committee shall be responsible for oversight and evaluation of the work of the External Auditors, including the External Auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) Nomination and Compensation

The Audit Committee shall review and, if advisable, select and recommend for Board approval the External Auditors to be nominated and the compensation of such External Auditors. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the External Auditors' audit plan.

(c) Resolution of Disagreements

The Audit Committee shall resolve any disagreements between Management and the External Auditors as to financial reporting matters brought to its attention.

(d) Discussions with External Auditors

At least annually, the Audit Committee shall discuss with the External Auditors such matters as are required by applicable auditing standards to be discussed by the External Auditors with the Audit Committee.

(e) Audit Plan

At least annually, the Audit Committee shall review a summary of the External Auditors' proposed annual audit plan. The Audit Committee shall consider and review with the External Auditors any material changes to the scope of the plan.

(f) Review Reports

The Audit Committee shall review any reports prepared by the External Auditors in respect of financial statements of the Company.

(g) Independence of External Auditors

The Audit Committee shall review, discuss and report to the Board on an annual basis all significant relationships the External Auditors have with the Company to determine their independence.

(h) Requirement for Pre-Approval of Non-Audit Services

The Audit Committee shall approve in advance any retainer or other fee of the External Auditors to perform any non-audit service to the Company or the Group that it deems advisable in accordance with Applicable Requirements and Board-approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(i) Approval of Hiring Policies

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former External Auditors.

(j) Auditor Recommendations

The Audit Committee shall review with the External Auditors and management significant findings during the audit and the extent to which changes or improvements in financial or accounting practices or internal controls may be necessary.

(k) Financial Executives

The Committee shall review and discuss with Management the appointment of key financial executives and recommend qualified candidates to the Board, as requested and appropriate.

SCHEDULE A – Audit Committee (continued)

4. Duties And Responsibilities (continued)

4.3 Compliance with Legal and Regulatory Requirements

The Audit Committee shall review reports from the Company's Corporate Secretary and other Management members on legal or compliance matters that may have a material impact on the Company, the effectiveness of the Company's compliance policies and any material communications received from regulators. The Audit Committee shall review Management's evaluation of and representations relating to compliance with specific applicable law and guidance, and Management's plans to remediate any deficiencies identified.

4.4 Audit Committee Hotline / Whistleblower Procedures

The Audit Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters (the "Whistleblower Policy"). Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with Management and legal counsel to reach a satisfactory conclusion.

4.5 Audit Committee Disclosure

The Audit Committee shall prepare, review and approve any Audit Committee disclosures required by Applicable Requirements in the Company's disclosure documents.

4.6 Delegation

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this Mandate as the Audit Committee deems appropriate.

5. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Memorandum and Articles of Association, it is not intended to establish any legally binding obligations.

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