2022

Ares Strategic Mining Inc.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended 30 June 2022

Stated in Canadian Dollars

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Ares Strategic Mining Inc.:

Management is responsible for the preparation and presentation of the accompanying Condensed Interim Consolidated Financial Statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the Condensed Interim Consolidated Financial Statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the condensed interim consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of Ares Strategic Mining Inc.'s external auditors.

We draw attention to Note 1 in the Condensed Interim Consolidated Financial Statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

"James Walker"

James Walker, CEO

"Viktoriya Griffin"

Viktoriya Griffin, CFO

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30 June 2022	As at 30 September 2021
ASSETS			
Current Assets			
Cash and cash equivalents		$ **848,127**	$ 1,051,149
Restricted cash	(10)	**90,000**	90,000
Amounts receivable	(0	**477,008**	43,305
Marketable securities	(11)	**528,590**	-
Prepaid amounts and other assets		**275,574**	234,506
		2,219,299	1,418,960
Non-current Assets			
Deposits	(9)	**98,765**	97,629
Capital advances	(8)	**-**	3,551,000
Capital work-in-progress	(8)	**4,123,139**	-
Property and equipment	(10)	**232,839**	237,932
Exploration and evaluation assets	(11)	**9,156,536**	8,101,175
		13,611,279	11,987,736
		$ **15,830,578**	$ 13,406,696
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(15)	$ **282,884**	$ 452,197
Short-term loans	(12)	**60,000**	2,196,600
Derivative liabilities	(13)	**69,000**	-
		411,884	2,648,797
EQUITY			
Equity Attributable to Shareholders			
Share capital	(14)	**38,755,878**	31,430,607
Subscriptions received	(14)	**-**	1,050
Options - Contributed surplus	(14)	**2,373,500**	2,417,500
Warrants - Contributed surplus	(14)	**1,511,855**	1,937,270
Accumulated other comprehensive income ("OCI")		**(49,091)**	(45,655)
Deficit		**(25,949,504)**	(23,759,558)
		16,642,638	11,981,214
Non-controlling interests	(14)	**(1,223,944)**	(1,223,315)
Total Equity		**15,418,694**	10,757,899
		$ **15,830,578**	$ 13,406,696

Nature of operations and going concern	(1)	Capital management	(17)
Basis of preparation – Statement of Compliance	(2)	Commitment	(18)
Related party transactions and obligations	(15)	Subsequent events	(19)

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on 25 August 2022 and were signed on its behalf by:

"Paul Sarjeant"
Paul Sarjeant, Director

"Raul Sanabria"
Raul Sanabria, Director

-- The accompanying notes form an integral part of the condensed interim consolidated financial statements --

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Note	**9 Months Ended 30 June 2022**	9 Months Ended 30 June 2021	**3 Months Ended 30 June 2022**	3 Months Ended 30 June 2021
General and Administrative					
Office and marketing		**990,793**	1,111,406	**291,642**	454,028
Professional fees		**336,527**	158,846	**161,643**	65,404
Management fees	(15)	**146,250**	152,250	**48,250**	51,250
Stock-based compensation		**74,000**	1,468,000	**-**	1,468,000
Bank charges and interest expense		**55,348**	4,067	**6,252**	1,905
Transfer agent and filing fees		**49,510**	95,427	**14,383**	14,507
Shareholder relations		**-**	27,048	**-**	26,798
Insurance		**37,081**	17,784	**11,544**	10,459
Depreciation	(10)	**29,781**	19,438	**11,112**	6,764
Resource property (recoveries) expenses		**17,233**	(3,401)	**5,400**	5,693
Travel		**2,422**	975	**1,335**	731
Foreign exchange loss (gain)		**(63,599)**	73,210	**(76,195)**	42,019
		(1,675,346)	(3,125,050)	**(475,366)**	(2,147,558)
Other (Expenses)/income					
Loss on sale of mineral property	(11)	**(301,375)**	-	**-**	-
Loss on settlement of liability	(12)	**(294,444)**	-	**-**	-
Gain on derivative liability	(13)	**52,000**	-	**15,000**	-
Unrealized gain on revaluation	(11)	**28,590**	-	**28,590**	-
Net Loss for the period		**(2,190,575)**	(3,125,050)	**(431,776)**	$ (2,147,558)
Other Comprehensive (Loss) Income					
Foreign operations – foreign exchange		**(13,231)**	(52,591)	**90,672**	(12,226)
Comprehensive Loss for the period		**$ (2,203,806)**	$ (3,177,641)	**$ (341,104)**	$ (2,159,784)
Net Loss Attributed to:					
Shareholders		**(2,189,946)**	(3,126,922)	**(431,776)**	(2,147,469)
Non-controlling interest		**(629)**	1,872	**-**	(89)
		$ (2,190,575)	$ (3,125,050)	**$ (431,776)**	$ (2,147,558)
Comprehensive Loss Attributed to:					
Shareholders		**(2,203,177)**	(3,179,513)	**(341,104)**	(2,159,695)
Non-controlling interest		**(629)**	1,872	**-**	(89)
		$ (2,203,806)	$ (3,177,641)	**$ (341,104)**	$ (2,159,784)
Basic and Diluted Loss per Share		**$ (0.02)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted Average Shares Outstanding		**122,317,975**	90,364,014	**132,447,718**	99,488,125

-- The accompanying notes form an integral part of the condensed interim consolidated financial statements --

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders									
	Shares	Share capital	Subscriptions received	Options	Warrants	AOCI	Deficit	Total Shareholders Equity	Equity attributable to NCI	Total
	#	$	$	$	$	$	$	$	$	$
BALANCE AS AT 1 OCTOBER 2020	78,217,901	22,467,660	-	1,152,500	2,269,584	10,393	(20,108,460)	5,791,677	(1,224,231)	4,567,446
Shares issued for private placement, net	3,645,000	1,762,497	-	-	13,000	-	-	1,775,497	-	1,775,497
Shares issued for capital advances (Note 8)	5,300,000	3,551,000	-	-	-	-	-	3,551,000	-	3,551,000
Stock-based compensation	-	-	-	1,468,000	-	-	-	1,468,000	-	1,468,000
Shares issued for debt settlement	713,468	250,288	-	-	-	-	-	250,288	-	250,288
Shares issued to ASM management	600,000	174,000	-	-	-	-	-	174,000	-	174,000
Shares issued upon exercises of warrants	15,163,963	2,672,612	1,050	-	(345,314)	-	-	2,328,348	-	2,328,348
Shares issued upon exercises of options	3,150,500	552,550	-	(203,000)	-	-	-	349,550	-	349,550
Other comprehensive income	-	-	-	-	-	(56,048)	-	(56,048)	-	(56,048)
Net income (loss) for the year	-	-	-	-	-	-	(3,651,098)	(3,651,098)	916	(3,650,182)
BALANCE AS AT 30 SEPTEMBER 2021	106,790,832	31,430,607	1,050	2,417,500	1,937,270	(45,655)	(23,759,558)	11,981,214	(1,223,315)	10,757,899
Stock-based compensation	**-**	**-**	**-**	**74,000**	**-**	**-**	**-**	**74,000**	**-**	**74,000**
Shares issued for private placement, net	**2,114,873**	**803,652**	**-**	**-**	**-**	**-**	**-**	**803,652**	**-**	**803,652**
Shares issued for debt settlement	**7,096,612**	**2,461,577**	**-**	**-**	**-**	**-**	**-**	**2,461,577**	**-**	**2,461,577**
Shares issued for asset acquisition	**3,000,000**	**1,065,000**	**-**	**-**	**-**	**-**	**-**	**1,065,000**	**-**	**1,065,000**
Shares issued upon exercises of warrants	**15,507,419**	**2,678,592**	**(1,050)**	**-**	**(425,415)**	**-**	**-**	**2,252,127**	**-**	**2,252,127**
Shares issued upon exercises of options	**1,849,500**	**316,450**	**-**	**(118,000)**	**-**	**-**	**-**	**198,450**	**-**	**198,450**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3,436)**	**-**	**(3,436)**	**-**	**(3,436)**
Net income (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(2,189,946)**	**(2,189,946)**	**(629)**	**(2,190,575)**
BALANCE AS AT 30 JUNE 2022	**136,359,236**	**38,755,878**	**-**	**2,373,500**	**1,511,855**	**(49,091)**	**(25,949,504)**	**16,642,638**	**(1,223,944)**	**15,418,694**

-- The accompanying notes form an integral part of the condensed interim consolidated financial statements --

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	**9 Month Ended 30 June 2022**	9 Month Ended 30 June 2021	**3 Month Ended 30 June 2022**	3 Month Ended 30 June 2021
OPERATING ACTIVITIES					
Loss for the period		**$ (2,190,575)**	$ (3,125,050)	**$ (431,776)**	$ (2,147,558)
Items not Affecting Cash					
Stock-based compensation		**74,000**	1,468,000	**-**	1,468,000
Interest on convertible debt		**51,230**	-	**4,929**	-
Depreciation	(10)	**29,781**	19,438	**11,112**	6,764
Loss on settlement of liability		**294,444**	-	**-**	-
Loss on sale of mineral property	(11)	**301,375**	-	**-**	-
Gain on settlement of receivables		**(28,590)**		**(28,590)**	
Shares issued for Amalgamation		**-**	60,000	**-**	-
		(2,468,335)	(1,577,612)	**(444,325)**	(672,794)
Net Change in Non-cash Working Capital					
Amounts receivable		**91,297**	(46,767)	**145,509**	30,214
Derivative liability		**69,000**	-	**106,000**	-
Accounts payable and accrued liabilities		**(169,313)**	(3,66,037)	**(104,942)**	(289,818)
Prepaid amounts and other assets		**(41,068)**	(68,802)	**320,370**	473,546
Long-term deposits		**-**	(5,380)	**-**	(5,380)
		(50,084)	(486,986)	**466,937**	208,562
		(1,518,419)	(2,064,598)	**22,612**	(464,232)
INVESTING ACTIVITIES					
Equipment purchase		**(23,988)**	(75,334)	**(903)**	(75,334)
Capital work in progress		**(572,139)**	-	**-**	-
Resource property - expenditures		**(1,271,296)**	(1,325,113)	**(574,917)**	(513,246)
		(1,867,423)	(1,400,447)	**(575,820)**	(588,580)
FINANCING ACTIVITIES					
Proceeds from warrants exercised		**2,252,127**	2,273,530	**520,203**	531,046
Proceeds from shares issued, net		**803,652**	1,797,800	**-**	1,000,800
Short-term loans received (paid)		**3,403**	620,000	**3,403**	-
Proceeds from options exercised		**198,450**	349,550	**-**	116,000
		3,257,632	5,040,880	**523,606**	1,647,845
Net effect of foreign currency translation		**(74,812)**	11,088	**(107,566)**	60,095
Net (Decrease) Increase in Cash		**(203,022)**	1,586,923	**(137,168)**	655,128
Cash position – beginning of period		**1,141,149**	219,770	**1,075,295**	1,151,565
Cash Position – end of period		**$ 938,127**	$ 1,806,693	**$ 938,127**	$ 1,806,693

-- The accompanying notes form an integral part of the condensed interim consolidated financial statements --

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Ares Strategic Mining Inc. (“Ares” or the “Company”), was incorporated pursuant to the Company Act (Ontario) by registration of its Memorandum and Articles on 20 November 2009. On 9 July 2010, the Company registered in British Columbia for extra provincial registration as the Company’s administrative office is located at 1001-409 Granville Street, Vancouver BC, V6C 1T2. The Company is classified as a Junior Natural Resource Mining Company and is listed on the Canadian Securities Exchange under the stock symbol “ARS”.

The Company was previously in the business of acquiring and exploring lithium properties in Nevada and Arizona. On 18 February 2020, the Company completed a three-cornered amalgamation transaction (the “Amalgamation”) with American Strategic Minerals Inc. (“ASM”) (Note 5). As a result, Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

These Condensed Interim Consolidated Financial Statements (the “Financial Statements”) have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors; these factors include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies, in the sector of mineral exploration, the Company has incurred operating losses since inception, has limited sources of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests. These factors indicate the existence of a material uncertainty which casts significant doubt on the Company’s ability to continue as a going concern.

During 2020, the global outbreak of COVID-19 ensued, which has had a significant impact on organizations through the restrictions put in place by Canadian, US, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, although the Company’s operations have not been drastically affected by COVID-19, the extent of the impact the COVID-19 outbreak may have on the Company is uncertain as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, US and other countries to fight the virus.

For the Company to continue to operate as a going concern, it must continue to obtain additional financing to maintain operations. Although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future. If the going concern assumptions were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments could be material.

(Rounded 000’s)	**30 June 2022**	30 September 2021
Working capital (deficit)	**$ 1,807,000**	$ (1,230,000)
Accumulated deficit attributed to shareholders	**$ 27,173,000**	$ 23,760,000

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

2) Basis of preparation – Statement of Compliance

These Condensed Interim Consolidated Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Condensed Interim Consolidated Financial Statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 30 September 2021.

The policies set out were consistently applied to all the years presented unless otherwise noted below. The preparation of the condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The preparation of the Condensed Interim Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual consolidated financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited annual consolidated financial statements for the year ended 30 September 2021.

4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

a. Judgements

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

b. Estimates

Going concern evaluation

As discussed in Note 1, these Condensed Interim Consolidated Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Condensed Interim Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 June 2022.

Exploration evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Covid-19

On 11 March 2020, the World Health Organization declared Covid-19, the disease caused by the novel coronavirus, a global pandemic, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. There is the possibility that future developments from the Covid-19 pandemic could negatively impact operations which could have a material adverse impact on our cash flows and financial position as well as affect judgements, estimates and assumptions made by management. The Company continues to monitor the situation closely to plan and adjust accordingly.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Stock-based compensation

The company uses Black-Scholes Option Pricing Model for valuation of stock options. Option pricing models require the input of subjective assumptions and estimates including expected price volatility, interest rate and forfeiture rate.

Convertible debentures

The liability, equity and other (when applicable) components of convertible debentures are presented separately on the statement of financial position, starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and substantially providing the same cash flows. Subsequently, the liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible debenture at maturity, which is recorded in the statement of (loss) income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is obtained by deducting the nominal value of the debentures and the present value of future capital payments at the prevailing market rate for a convertible debenture without warrants. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debenture, and is presented in Equity as an equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other components (when applicable) on a pro-rata basis, according to their carrying amounts.

5) Acquisition transaction (“Amalgamation”)

The Company and ASM previously entered into a definitive agreement (the “Amalgamation Agreement”) on 1 April 2019. On 18 February 2020, the Company completed the acquisition of ASM, a private company that was incorporated under the laws of the province of British Columbia on 14 May 2015. A wholly owned subsidiary of ASM, 101017BC, Inc., is a company incorporated in the state of Delaware, United States of America and currently possesses several mineral claim blocks including the Lost Sheep Fluoride Mine, known as the Lost Sheep Property.

The acquisition was structured as a three-cornered amalgamation. Pursuant to the terms of the Amalgamation Agreement, the Company acquired all of the issued and outstanding shares of ASM and issued an aggregate of 14,184,560 units to the former shareholders of ASM, each unit consisting of one common share of the Company and one half of one warrant at an exercise price of $0.16 exercisable for a period of two years. All of the options of ASM (the “ASM Options”) were cancelled in exchange for the Company’s Options.

The Company has determined that ASM did not meet the definition of a business under IFRS 3, Business Combinations, and as such has been accounted for as an asset acquisition. The cost of an acquisition should be based on the fair value of items received, except where the fair value of the items received is not clearly evident. In such a case, the fair value of the consideration given is used.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The fair value of consideration given, totaling $1,232,924 has been allocated as follows:

Cash	$	756
Amounts receivable and prepaid expenses		92,220
Exploration and evaluation assets (Note 11)		1,459,064
Accounts payable and accrued liabilities		(296,746)
Revolving Loan		(22,370)
Total net assets acquired	**$**	**1,232,924**
14,184,560 units issued		1,134,765
600,000 stock options issued		-
Transaction costs		98,159
Total purchase consideration	**$**	**1,232,924**

During the year ended 30 September 2021, the Company issued 600,000 shares (300,000 to each director) to the directors of ASM pursuant to an agreement between ASM and its directors where it was agreed that post any share consolidation, amalgamation, or any other event that would alter the then existing outstanding shares of ASM, each director would be issued 300,000 shares. The shares were valued at $174,000 based on the fair market value as of the date of issuance and this was recorded to Exploration & Evaluation assets during the year ended 30 September 2021.

6) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 June 2022. There have been no changes in levels during the period.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, accounts payable, short-term loans and long-term loans. As at 30 June 2022, the carrying value of cash and cash equivalents is at fair value. Accounts payable and short-term loans approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada, accordingly the Company is not exposed to significant credit risk.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk. As at 30 June 2022, the Company held currency totalling the following:

CURRENCY		**30 June 2022**		30 September 2021
Canadian (Dollars)	**$**	**919,000**	$	834,204
US (Dollars)	**$**	**15,000**	$	240,909

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 June 2022, the Company had a cash balance of $938,127 to settle current liabilities of $411,884 that are due within one year.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

7) Amounts receivable

Amounts receivable consists of:

AMOUNTS RECEIVABLE		30 June 2022		30 September 2021
Goods and services tax receivable	**$**	**27,008**	$	43,305
Receivable on sale of Jackpot Lake property (Note 11)	**$**	**450,000**	$	-
	$	**477,008**	$	43,305

As at 30 June 2022, amounts receivable consists of goods and services tax receivable of $27,008 and $450,000 on account of amount receivable on sale of mineral property (Note 11(d)) and are not subject to significant collection risk.

8) Capital work in progress

During the year ended 30 September 2021, the Company had entered into an agreement to acquire a fluorspar lump manufacturing facility (the "Facility") pursuant to the terms and conditions of a Profit-Sharing Agreement dated 9 February 2021, as amended (the "Profit Sharing Agreement") between the Company and the Mujim Group, a non-arm's length private Shanghai company ("Mujim"). Pursuant to the terms of the Profit-Sharing Agreement, the Company had agreed to acquire the Facility by issuing an aggregate of 5,300,000 common shares in the capital of the Company (each, a "Share"), the fair value of which was determined based on the date when they were issued, i.e. $0.67, and the transfer was treated as a capital advance to Mujim until the Facility would be ready for use.

Upon completion of the facility, the Company has agreed to incur costs pertaining to the installation of the Facility, including compensating contractors from Mujim to assist with installation and to begin operating the Facility. Furthermore, once the Facility is operational within parameters and specifications defined in the Profit-Sharing Agreement, the company will pay Mujim, US$20 per ton for ongoing technical support, and has also agreed to pay Mujim, US$10 per ton as agency fee for any sales in Asia.

The final purchase price may vary depending on certain target production output metrics defined in the Profit-Sharing agreement.

Subsequent to 30 September 2021, the Company received the lumps manufacturing plant (after incurring additional $572,139 on the shipment of the steal), however, since the infrastructure to operate the plant is not yet ready, the plant has not been installed and hence has been re-classified under Capital Work in Progress as at 30 June 2022.

9) Deposits

Deposits consist of:

DEPOSITS		30 June 2022		30 September 2021
Office lease	**$**	**2,912**	$	2,912
Surety deposits	**$**	**95,853**	$	94,717
	$	**98,765**	$	97,629

As at 30 June 2022, the balance in deposits of $2,912 (2021 - $2,912) represents a deposit for office lease and reclamation surety and bond in the amount of $95,853 (2021 - $94,717) paid to the State of Utah for a five-year escalation at Lost Sheep and Bell Hill.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

10) Property and equipment

PROPERTY AND EQUIPMENT	Equipment	Auto	Land	Total
COST				
Balance as at 1 October 2020	$ 126,736	-	$ 75,000	$ 201,736
Addition	$ 10,605	$ 66,571	-	$ 77,176
Foreign Exchange	-	(23)	-	$ (23)
Balance as at 30 September 2021	$ 137,341	$ 66,548	$ 75,000	$ 278,889
Addition	**$ 23,988**	**-**	**-**	**$ 23,988**
Foreign Exchange	**-**	**700**	**-**	**700**
Balance as at 30 June 2022	**$ 161,329**	**$ 67,248**	**$ 75,000**	**$ 303,571**
DEPRECIATION				
Balance as at 1 October 2020	$ 11,617	-	-	$ 11,617
Depreciation for the year	26,590	$ 2,750	-	$ 29,340
Balance as at 30 September 2021	$ 38,207	$ 2,750	$ -	$ 40,957
Depreciation for the period	**$ 24,818**	**$ 4,963**	**$ -**	$ **29,781**
Balance as at 30 June 2022	**$ 63,025**	**$ 7,713**	**$**	$ **70,738**
CARRYING AMOUNTS				
Balance as at 1 October 2020	$ 115,119	$ -	$ 75,000	$ 190,119
Balance as at 30 September 2021	$ 99,134	**$** 63,798	**$** 75,000	$ 237,932
Balance as at 30 June 2022	**$ 98,304**	**$ 59,535**	**$ 75,000**	$ **232,839**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to recognize the cost of the asset on the condensed interim consolidated statements of comprehensive loss using the straight-line method over the estimated useful life of the asset.

During the period ended 30 June 2022, the Company acquired an excavator, laptop, desktop and workstation; depreciation commenced upon the use of this equipment.

During the year ended 30 September, 2021, the Company purchased a new truck, which was financed through the loan in the amount of $60,000, and collateral in the form of non-redeemable investment in the amount of $90,000 in restricted cash.

During the year ended 30 September 2020, the Company acquired and modified field equipment; depreciation commenced upon the use of this equipment.

Land comprises five Canadian properties located in Ontario, Canada (Note 11(f)). The Company earns revenues from sale of quarry rock located on this property. These revenues are offset against maintenance payments made on the property, and are included within the resource property expense on the condensed interim consolidated statement of loss and comprehensive loss.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

11) Exploration and evaluation assets

The following table summarizes exploration and evaluation assets:

EXPLORATION AND EVALUATION

ASSETS	Spor Mountain	Liard Fluorspar	Vanadium Ridge	Jackpot Lake	Ontario Properties	Total
Balance as at 1 October 2020	$ 2,486,896	$ 432,332	$ 312,000	$ 1,212,782	$	$ 4,444,014
Geological consulting	1,482,286	38,200	7,250	-	-	1,527,736
Acquisition	1,432,137	7,234	-	-	-	1,439,371
Administration and camp	342,582	6,310	-	2,272	-	351,164
Drilling	165,250	-	-	-	-	165,250
Staking and claiming	133,838	-	8,330	111,321	-	253,489
Adjustments on currency translation	(79,849)	-	-	-	-	(79,849)
Balance as at 30 September 2021	5,963,140	484,076	327,580	1,326,375	4	8,101,175
Geological consulting	**811,121**	**33,150**	**-**	**-**	**-**	**844,271**
Acquisition	**17,275**	**7,233**	**1,065,000**	**-**	**-**	**1,089,508**
Administration and camp	**225,449**	**29**	**112**	**-**	**-**	**225,591**
Staking and claiming	**150,647**	**8,330**	**17,950**	**-**	**-**	**176,926**
Disposal	**-**	**-**	**-**	**(1,326,375)**	**-**	**(1,326,375)**
Adjustments on currency translation	**45,440**	**-**	**-**	**-**	**-**	**45,440**
Balance as at 30 June 2022	**$ 7,213,072**	**$ 532,818**	**$ 1,410,642**	**$ -**	**$ 4**	**$ 9,156,536**

a) Spor Mountain (also known as Lost Sheep)

The Company holds a 100% interest in and rights to certain U.S. federal mining claims located at the north-east end of the Spor Mountain Mining District, in section 21, T.12S. 12W, and T.13S. 12W, SLBM of Juab County, western Utah, USA (the “Spor Mountain”). The Spor Mountain property consists of several mineral claim blocks including the Lost Sheep Fluoride Mine, and other unpatented claims. The Company acquired its initial interest through the Amalgamation (Note 5) on 18 February 2020. During the year ended 30 September 2021, the Company acquired additional claims in the region through staking.

As part of the Amalgamation, the Company assumed an underlying property purchase agreement (the “Purchase Agreement”) for certain unpatented claims comprising the Spor Mountain property, pursuant to which the Company would be required to make a payment of US$1,000,000 within 18 months from the commencement of production. During the year ended 30 September 2021, the amount of USD $1,000,000 was transferred to the underlying vendor, pursuant to which, the Company is deemed to have fulfilled its obligations under the Purchase Agreement, and the title to the unpatented claims are in the process of being transferred to the Company.

b) Liard Fluorspar

On 13 April 2020, the Company entered into an agreement to acquire 100% interest in 14 claims in the Liard Fluorspar property, located in British Columbia, from private owners of the property. The consideration is as follows:

	Number of Shares	Fair Value of Shares	Cash
Payment Due Date			
13 April 2020	-	$ -	$ 31,000
30 April 2020	5,000,000	400,000	-
Total	5,000,000	$ 400,000	$ 31,000

The sellers will retain a 2% of the Net Smelter Returns (NSR) Royalty payment of commercial production for the first 6 months of production, after which Ares will recover full revenues. The Company paid the cash consideration of $31,000 and issued 5,000,000 shares during the year ended 30 September 2020.

c) Vanadium Ridge

During the period ended 30 June 2022, the Company signed an agreement with Imbue Capital Inc. for the purchase of a 50% interest in Vanadium Ridge Property. The Company will purchase from Imbue, a 30% beneficial and legal interest in and to the Vanadium Ridge Property, free and clear of all liens, security interests, mortgages, charges, encumbrances or other claims of any third party, whether registered or unregistered and whether arising by agreement, statute or otherwise, such that following the transaction, the Company shall own a combined 50% beneficial and legal interest in and to the Vanadium Ridge Property. As part of the transaction, the Company issued to Imbue an aggregate of 3,000,000 common shares on 19 November 2021. Imbue has agreed to contribute, in cash or equipment, an aggregate of $1,500,000 to the Vanadium Ridge Property, of which a minimum of $1,000,000 must be made in cash. The Company and Imbue agree that should the exploration of the Vanadium Ridge Property require any additional funding following the initial Imbue Cash Contribution, any such financial contribution shall be made equally by the parties.

During the year ended 30 September 2018, the Company entered into an agreement to acquire 100% interest in the Vanadium Ridge property. The Vanadium Ridge property consists of 20 mining claims, covering over 5,200 acres, situated in close proximity to Kamloops, British Columbia. As consideration, the Company issued 2,500,000 common shares of the Company and paid $135,000 in cash. The vendor retains a 1% Net Smelter Returns Royalty.

On 2 July 2018, the Company signed an agreement with Argentum to sell 80% interest in the Vanadium Ridge property to Argentum. In exchange, Argentum paid the Company $150,000 cash and issued 1,250,000 Argentum common shares, which were subsequently sold. As a result, the Company retains a 20% interest in the Vanadium Ridge property.

d) Jackpot Lake property

During the year ended 30 September 2016, the Company acquired 140 mineral claims comprising of 2,800 acres in Clark County, Nevada. The contiguous Jackpot Lake claim group is located 39 miles NE of Las Vegas. In consideration, the Company issued common shares and made cash payments as follows:

	Number of Shares	Fair Value of Shares	Cash
Payment Due Date			
26 July 2016	-	$ -	$ 70,000
12 August 2016	1,100,000	330,000	-
22 January 2017	-	-	50,000
26 July 2017	100,000	5,500	-
22 January 2018	100,000	5,500	-
26 July 2018	304,878	48,476	-
22 January 2019	759,259	102,500	-
11 July 2019[i]	1,312,320	104,986	-
Total	3,676,457	$ 596,962	$ 120,000

i. an unsecured demand promissory note settled with shares on 1 February 2020

The seller shall retain a 1% GOR, subject to a buyback provision whereby the Company may acquire, at any time, one-half of the GOR (0.5%) for $1,000,000.

The Company has to file all forms and pay all fees to keep the claims in good standing, including County Fees and Bureau of Land Management ("BLM") Maintenance Fees. Additionally, the Company was required to incur a minimum of $1,000,000 in exploration expenditures on these claims within three years of signing the agreement.

Under the terms of the original agreement, the Company was to make a final payment of $205,000 by 26 July 2019. The vendor agreed to immediately transfer the 100% interest in the Jackpot Lake property for the issuance of 759,259 common shares of the Company at the 10 January 2019 closing price of $0.135 for a total value of $102,500 and an unsecured demand promissory note in the amount of $102,500, bearing interest at 3% per annum. Effective 11 January 2019, the Company acquired 100% of the Jackpot Lake property.

Pursuant to an agreement dated 1 February 2020, the promissory note of $102,500 and associated interest of $2,486 totalling $104,986 was settled through the issuance of 1,312,320 units of the Company. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the company at a price of $0.15 for a period of 24 months.

On 17 March 2022, Ares entered into a mineral property option agreement with USHA Resources Ltd. of Vancouver, British Columbia, whereby the exclusive option has been granted to acquire a 100% interest in 140 mineral claims located at Jackpot Lake, Clark County, Nevada.

Under the terms of the Transaction, USHA will be able to acquire a 100% interest in the Property in exchange for the following consideration:

- $75,000 payable within five days from receiving approval from the TSX Venture Exchange. As at 30 June 2022, the Company received the payment.
- $500,000 payable in common shares of the Company within five days from the date of Exchange approval, to be issued at a deemed value at the greater of the 10-day VWAP or Discounted Market Price. As at 30 June 2022, the Company received the shares fair valued $528,590, recognizing the unrealized gain on revaluation of marketable securities in the amount of $28,590.
- $225,000 payable through a combination of cash or Shares of the Company (at the discretion of the Company), up to a maximum of 1,500,000 Shares, on the six-month anniversary date, to be issued at a deemed value at the greater of the 10-day VWAP or Discounted Market Price; and
- $225,000 payable through a combination of cash or Shares of the Company (at the discretion of the Company), up to a maximum of 1,500,000 Shares, on the twelve-month anniversary date, to be issued at a deemed value at the greater of the 10-day VWAP or Discounted Market Price.

Additionally, the Company will be required to complete no less than $1,000,000 worth of Expenditures on the Claims within two years unless the Option has been exercised in full. The Vendor will return a 1% Gross Overriding Royalty (the "GORR"), subject to a buyback provision by the Company, whereby the Company may acquire, at any time, one-half of the GORR for $1,000,000. The Option Agreement and the transactions contemplated therein, including the issuance of the Shares, is subject to the approval of the Exchange. All securities issued in connection with the Transaction will be subject to a four-month-and-one-day statutory hold period.

e) Ontario properties

The Company holds a 100% interest in five properties located in Ontario, Canada. During the year ended 30 September 2016, management determined that the strategic shift towards lithium properties constituted an impairment indicator for the Ontario properties. This resulted in an impairment of the acquisition and exploration expenditures related to the Ontario properties, reducing the value to a nominal value to reflect the rights to the mineral claims associated with the properties.

12) Short-term loans

The following is a summary of the Company's short-term loans as at 30 June 2022 and 30 September 2021:

SHORT-TERM LOANS	Year		Outstanding Principal
Canada Emergency Business Account loan	**2022**	**$**	**60,000**
	2021	$	60,000
Loan from Clearwater Group Inc.	**2022**	**$**	**-**
	2021	$	1,274,100
Operational loans from related parties	**2022**		**-**
	2021	$	862,500
Total as at 30 June 2022	**2022**	**$**	**60,000**
Total as at 30 September 2021	2021	$	2,196,600

During the year ended 30 September 2021, Clearwater paid US$1,000,000 on behalf of the Company in connection with the Purchase Agreement for certain unpatented mining claims related to the Company's Spor Mountain property (Note 11(a)). The amount is unsecured, non-interest bearing, and had no fixed terms of repayment. On 7 January 2022, the Company and Clearwater converted the loan and entered into a convertible debenture agreement (Note 13).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

During the nine-month period ended 30 June 2022, the Company settled outstanding loans of $862,500 with related parties. Prior to that, during the year ended 30 September 2021, the Company received advances of $600,000 from unrelated parties in connection with a proposed share issuance. The Company did not proceed with the share issuances and the advances received were subsequently assumed by the Company's related parties who transferred issued and outstanding common shares of the Company owned by them to the unrelated parties. The same related parties of the Company have settled the Company's outstanding liabilities to these unrelated parties in the amount of $262,500 for services rendered. Under the Debt Settlement, the Company issued an aggregate of 3,305,554 common shares in the capital of the Company at a deemed price of $0.27 per share, the share price prevailing at the time when related parties have assumed the debt on behalf of Ares. This transaction resulted in the loss on the settlement of short-term loan in the amount of $294,444 due to the change in the market price per share.

During the year ended 30 September 2021, the Company received a Canada Emergency Business Account loan of $60,000 from the Government of Canada. The amount is non-interest bearing and is still outstanding as at 30 June 2022. The Company will receive a $20,000 loan forgiveness upon repayment, provided it is repaid in full on or before 31 December 2022.

The Company settled an aggregate of $15,751 of debt through the issuance of 46,238 common shares to certain creditors and settled $670,000 in convertible debt described above through the issuance of 1,675,000 common shares and 837,500 warrants.

13) Convertible debenture

On 7 January 2022, the Company announced that it has arranged for the payment, in full of a royalty retained by the sellers of the Company's Lost Sheep property located in the Spor Mountain area, Juab County, Utah. The Company entered into an unsecured convertible agreement with Clearwater to settle the outstanding liability of US$1,000,000 which was advanced by Clearwater in connection with the Purchase Agreement. The outstanding liability will be settled in exchange for an unsecured convertible debenture in the amount of $1,250,000 (CAD). The Debenture bears interest at a rate of 5% per annum, accruing interest from 15 May 2021, and is convertible into units at a price per Unit equal to the closing price of the common shares of the Company on the day prior to the date of conversion. Each Unit is comprised of one Share and one-half of one Share purchase warrant, with each whole Warrant entitling the holder thereof to purchase one additional Share at an exercise at a premium to the market price per Share as follows: 25% premium on a Share price up to $0.50; 20% premium on a Share price between $0.51 and $2.00; and 15% premium on a Share price above $2.01. Each Warrant entitles the holder, on exercise, to purchase one Share for a period of two years following the signing date of the Debenture agreement. Any securities issuable upon their due conversion are subject to a statutory hold period expiring on the date that is four months and one day after the date of issue.

Convertible Debentures – Warrants

The exercise price of the Warrants issued under this Debenture depends on the Company's share price at the date of the liquidity event, resulting in a potential variability in the number of shares issued. The Warrants are classified as a derivative liability and measured at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period-end. The derivative liability will ultimately be converted into the Company's equity at the time of exercise. The Company used the Black-Scholes model to estimate the fair value of the derivative liability with respect to the Warrants at each reporting date. This is a Level 3 recurring fair value measurement.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The following assumptions were used:

Warrants	**30 June 2022**	At inception
Risk free interest rate	**0.32%**	0.32%
Expected stock price volatility	**40%**	40%
Expected option life in years	**2.00**	2.00

Upon initial recognition on 22 January 2022 and 30 May 2022, the Company recorded derivative liability of $121,000. During the period ended 30 June 2022, the Company recorded a gain of $52,000 on the revaluation of the derivative liability resulting in $69,000 recorded as a derivative liability as at the period end date.

14) Share capital

a) Authorized:

Unlimited common shares without par value.

b) Issued or allotted and fully paid:

During the nine months ended 30 June 2022:

	Number of Shares	**Amount**
Balance as at 1 October 2021	**106,790,832**	**31,430,607**
Shares issued for debt settlement	**7,096,612**	**2,461,577**
Shares issued as part of property acquisition (Note 11(c))	**3,000,000**	**1,065,000**
Shares issued upon exercise of warrants	**15,507,419**	**2,678,592**
Shares issued upon exercise of options	**1,849,500**	**316,450**
Shares issued for private placement	**2,114,873**	**803,652**
Balance as 30 June 2022	**136,359,236**	**38,755,878**

During the nine months period ended 30 June 2022:

- The Company issued 1,849,500 common shares upon the exercise of stock options for gross proceeds of $198,450.
- The Company issued 15,507,419 common shares upon the exercise of warrants for gross proceeds of $2,370,592.
- The Company also issued 2,114,873 common shares pursuant to a non-brokered private placement at a price of $0.38 per share for gross proceeds of $803,652.
- The Company issued an aggregate of 7,096,612 common shares in debt settlement of $2,461,577, out of which 3,305,554 common shares were issues in connection with the related parties' short-term loan settlement fair valued at $1,156,944 (Note 12).
- The Company issued 3,000,000 common shares fair valued at $1,065,000 to Imbue in lieu of additional stake of 30% in Vanadium Ridge Property (Note 11).

During the year ended 30 September 2021:

- The Company issued 3,645,000 common shares at a price of $0.50 per common share for gross proceeds of $1,822,500. Share issuance costs paid were in the amount of $47,003 as finder's and consulting fees. In addition, the Company issued 51,000 finder's warrants valued $13,000. Each finder's warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.50 for a period of 24 months.
- The Company settled debt of $250,288 through the issuance of 713,468 common shares to certain creditors.
- The Company issued 600,000 common shares as part of the Amalgamation agreement (Note 5).
- The Company issued 15,163,963 common shares upon the exercise of warrants for gross proceeds of $2,327,298.
- The Company issued 3,150,500 common shares upon the exercise of stock options for gross proceeds of $349,550.

c) Summary of stock option activity

The Company has adopted an incentive stock option plan to grant options to directors, officers, and consultants for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan. The options can be granted for a maximum term of five years.

Stock option activity during the nine months ended 30 June 2022 and 30 September 2021 is as follows:

STOCK OPTION ACTIVITY	**30 June 2022**		**Weighted Average Exercise Price**	30 September 2021		Weighted Average Exercise Price
Balance – Beginning of Period	**9,149,500**	**$**	**0.44**	6,850,000	$	0.44
Issued	**8,441,636**		**0.46**	5,450,000		0.62
Exercised	**(1,849,500)**		**0.13**	(3,150,500)		0.11
Expired	**(150,000)**		**1.30**	-		-
Cancelled	**(6,200,000)**		**0.62**	-		-
Balance – End of Period	**9,391,636**	**$**	**0.39**	9,149,500	$	0.44

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Details of stock options outstanding as at 30 June 2022 and 30 September 2021 are as follows:

Issuance Date	Expiry Date		Exercise Price	30 June 2022	30 September 2021
25 January 2017	24 January 2022	$	1.30	**-**	150,000
9 March 2020	8 March 2022	$	0.10	**-**	1,399,500
30 August 2020	30 August 2022	$	0.13	**950,000**	2,150,000
16 December 2021	27 September 2022	$	0.31	**152,900**	-
19 May 2021	19 May 2023	$	0.62	**-**	5,450,000
16 December 2021	15 December 2023	$	0.31	**2,088,736**	-
08 February 2022	27 September 2022	$	0.46	**875,000**	-
08 February 2022	07 February 2027	$	0.46	**5,325,000**	-
				9,391,636	9,149,500

As at 30 June 2022, the outstanding options have a weighted average remaining life of 3.23 years (2021 –1.26 years) and a weighted average exercise price of $0.39 (2021- $0.44). All of the outstanding options have vested and are exercisable.

<u>During the nine months ended 30 June 2022:</u>

On 16 December 2021, the Company granted stock options under the Company's stock option plan to purchase 2,241,636 common shares of the Company at a price of $0.31 per share for a two-year term expiring on 15 December 2023.

On 7 January 2022, the Company cancelled an aggregate of 6,200,000 stock options comprising of 750,000 stock options previously granted on 30 August 2020 at an exercise price of $0.15 and 5,450,000 stock options previously granted on 19 May 2021 at an exercise price of $0.62 per option.

On 8 February 2022, the Company announced that it has granted stock options to certain directors, officers, employees, and consultants of the Company to purchase up to 6,200,000 common shares in the capital of the Company pursuant to the Company's stock option plan. All the options are exercisable for a period of five years at an exercise price of $0.46 per share.

Not included in the above-noted stock options are the compensation options resulting from a private placement tranche that closed on 12 October 2016. Each compensation option is exercisable into one unit, which consists of one common share and one common share purchase warrant for a period of five years from the date of issuance (12 October 2021). Each warrant can be exercised into one common share of the Company at a price of $2.00 per share before the expiry. These options were not exercised and expired subsequent to the year-end.

d) Warrants

Warrant activity during the nine months ended 30 June 2022 and 30 September 2021 are as follows:

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

WARRANT ACTIVITY	30 June 2022	Weighted Average Exercise Price	30 September 2021	Weighted Average Exercise Price
Balance – Beginning of Period	**16,621,702**	**$ 0.15**	31,734,665	$ 0.15
Issued	**1,823,797**	**0.15**	51,000	0.50
Exercised	**(15,507,419)**	**0.15**	(15,163,963)	0.15
Expired	**(1,063,283)**	**0.15**	-	-
Balance – End of Period	**1,874,797**	**$ 0.50**	16,621,702	$ 0.15

<u>During the nine months ended 30 June 2022:</u>

Details of warrants outstanding as at 30 June 2022 and 30 September 2021 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 June 2022	30 September 2021
17 March 2021	17 March 2023	$ 0.50	**51,000**	51,000
14 February 2022	13 February 2024	$ 0.65	**837,500**	-
30 May 2022	29 May 2024	$ 0.40	**986,297**	-
			1,874,797	51,000

As at 30 June 2022, the outstanding warrants have a weighted average remaining life of 1.75 years (2021 – 0.63 years) and a weighted average exercise price of $0.45 (2021- $0.15).

The Company issued 15,507,419 common shares upon the exercise of warrants for gross proceeds of $2,373,127.

The fair value of the finders' warrants issued and recognized in the accounts has been estimated using the Black-Scholes Model assuming no expected dividends, volatility of 85%, expected life of 5 years, and a risk-free rate of 1.68%. Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

e) Share-based payments

During the nine months period ended 30 June 2022, the Company granted 8,441,636 (30 September 2021 – 5,450,000) incentive stock options to its directors, officer, and consultants and recognized share-based payments as follows:

	30 June 2022	30 September 2021
Total Options Granted	**8,441,636**	5,450,000
Average exercise price	**$ 0.39**	$ 0.62
Estimated fair value of compensation	**$ 1,632,000**	$ 1,468,000
Estimated fair value per option	**$ 0.20**	$ 0.30

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The fair value of the share-based payments of options to be recognized in the accounts has been estimated using the Black-Scholes Model with the following weighted-average assumptions:

	30 June 2022	30 September 2021
Risk free interest rate	**1.68%**	0.33%
Expected stock price volatility	**85%**	81%
Expected option life in years	**5.00**	2.00

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

f) Non-controlling interest

On 16 October 2014, the Company entered into an investment agreement with OMC Investments Limited ("OMC"), of Hong Kong. The transaction closed on 28 November 2014, and the Company issued 19,048,000 units of the Company by way of private placement at a price of $0.05 per unit, for aggregate proceeds of $952,400. After the 20-for-1 share consolidation during the year ended 30 September 2018, OMC owns 952,400 units. Each Unit consisted of one common share and one common share purchase warrant. Each Warrant is exercisable for a period of three years from the date of closing of the private placement at an exercise price of $0.05. These warrants expired on 30 September 2018. OMC now holds approximately 5.93% of the issued and outstanding shares of the Company. The Company also issued 15 common shares of its subsidiary Canadian Iron to OMC, reducing its ownership share from 100% to 85%. Canadian Iron holds a 100% interest in Karas Iron and Griffith Iron. The Company's interests in the Karas and Griffith properties are held in Karas Iron and Griffith Iron, respectively.

In addition, the shareholders' agreement with OMC will allow OMC to progressively earn additional equity in Canadian Iron, up to a total of 70% of Canadian Iron's issued and outstanding shares, as follows:

- an additional 30% for $8.2 million in funding from OMC for dewatering, resource drilling and environmental permitting ("Resource Definition Funding");
- an additional 5% for $2 million in total funding for a preliminary economic assessment, funded 70% by OMC and 30% by Ares; and
- an additional 20% for $20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Ares, and assuming the feasibility study establishes technical and economic viability.

Should either party not fully contribute its share of funding to both the preliminary economic assessment and feasibility study, it may face dilution.

In connection with this transaction, the Company has also agreed to enter into an option agreement with OMC on its other mineral properties. As of 31 December 2021, OMC has not entered into any option agreements related to the Company's other mineral properties. Should OMC fund the full $8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papagonga properties. This may be increased to 90%, if within a five-year period after earning 80%, OMC funds an additional $1.5 million in expenditures on the property chosen.

The value attributed to the non-controlling interest in the Company as at 30 June 2022 is an accumulated deficit of $1,223,944 (2021 - $1,223,315). For the period ended 30 June 2022, net income and comprehensive loss of $629 (2021 – income of $916) has been attributed to the non-controlling interest in these Financial Statements.

15) Related party transactions and obligations

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company compensates certain of its key management personnel to operate its business in the normal course. Key management includes the Company's executive officers and members of its Board of Directors. Transactions and balances with key management personnel and related parties not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE Name and Principal Position	Year[i]		Remuneration or fees[ii]		Share-based payments		Amounts Payable and Accrued Liabilities
CEO and Director – Management fees	**2022**	**$**	**108,000**	**$**	**336,283**	**$**	**-**
	2021	$	108,000	$	364,500	$	8,500
CFO – Management fees	**2022**	**$**	**36,000**	**$**	**125,290**	**$**	**-**
	2021	$	36,000	$	135,000	$	4,100
CFO – Professional fees	**2022**	**$**	**39,253**	**$**	**-**	**$**	**-**
	2021	$	39,060	$	-	$	-
Directors – Director fees	**2022**	**$**	**2,250**	**$**	**565,334**	**$**	**16,380**
	2021	$	3,250	$	405,000	$	6,038
Directors – Consulting fees	**2022**	**$**	**18,750**	**$**	**108,761**	**$**	**-**
	2021	$	70,500	$	337,500	$	3,050
Total	**2022**	**$**	**204,253**	**$**	**1,135,669**	**$**	**16,380**
	2021	$	256,810	$	1,242,000	$	21,688

(i) For the nine months ended 30 June 2022 and 2020.
(ii) Amounts disclosed were paid or accrued to the related party.

The Company settled outstanding loans of $892,500 assumed by related parties. Under the terms of the Debt Settlement, the Company issued 3,305,554 common shares in the capital of the Company.

These transactions were in the normal course of operations, which is the amount of consideration established and agreed to by the related parties.

Short-term loans with related parties are described in (Note 12) and debt settlement with related parties is described in ((Note 11)d). There are no terms and conditions attached to the said loans.

On 19 January 2022, Ares announced that the fabrication of its recently ordered steel has been completed in the amount of US$456,000 and the Company has begun arranging to ship the steel. The seller and the Company are considered to be a related party by virtue of common Director.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

16) Segmented disclosure

The Company has one reportable segment, being the acquisition, exploration, and development of resource properties. The following table provides segmented disclosure of assets and liabilities based on geographic location:

(Rounded to 000's)	Canada	US	Total
30 June 2022			
Current Assets	**$ 2,217,753**	**$ 1,546**	**$ 2,219,299**
Non-Current Assets			
Other non-current assets	**$ 4,391,898**	**$ 62,845**	**$ 4,454,743**
Resource properties	**$ 6,692,944**	**$ 2,463,592**	**$ 9,156,536**
Liabilities			
Current Liabilities	**$ 373,159**	**$ 38,725**	**$ 411,884**
30 September 2021			
Current Assets	$ 1,406,000	$ 13,000	$ 1,419,000
Non-Current Assets			
Other non-current assets	$ 3,823,000	$ 64,000	$ 3,887,000
Resource properties	$ 4,451,000	$ 3,650,000	$ 8,101,000
Liabilities			
Current Liabilities	$ 2,610,000	$ 39,000	$ 2,649,000

17) Capital management

The Company's capital consists of shareholders' equity, and it has capital resources of cash. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

18) Commitments

The Company entered into an agreement to extend the lease of the premises for another extension of 12 months commencing 1 July 2021 and expiring 30 June 2022. The Company's remaining annual minimum lease payments as at 30 June 2022 are shown below:

Fiscal 2022	9,556
Total	**$ 9,556**

The Company has also committed to certain future payments as described in Note (12).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

19) Subsequent events

Subsequent to the nine months ended 30 June 2022:

- On 18 August 2022, the Company announced the approval of $4,920,000 USD financing from the U.S. Department of Agriculture (USDA) under its Business and Industry Guaranteed Loan Program (B&I) which is deployed by the Federal Government to promote rural development and higher paying wages.

  The Company has arranged a 15-year term, with interest-only payments monthly for the first 12 months, followed by monthly principal and interest payments, fully amortizing the principal balance over the remaining 168-month period. The interest will be calculated using WSJ Prime + 2.50%, adjusting quarterly. The Company will be issued the financing within the next funding allocation.

- The Company submitted a cash bond of refundable deposit in the amount of $750,000 in bidding for the project.
- The Company settled an aggregate of $11,117 of debt through the issuance of 44,974 common shares to certain creditors.
- The Company issued 1,045,563 common shares upon the exercise of stock options for gross proceeds of $153,125.