

**2022**

# **Ares Strategic Mining Inc.**

**Consolidated Financial Statements**

**For the Years Ended 30 September 2022 and 2021**

**Stated in Canadian Dollars**

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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 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 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 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 the Company's external auditors.

We draw attention to Note 1 in the 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.

Manning Elliott LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the Consolidated Financial Statements and report directly to them; their report follows. The external auditors have full and free access to meet periodically and separately with the Audit Committee, and management to discuss their audit findings.

*"James Walker"*

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James Walker, CEO

*"Viktoriya Griffin"*

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Viktoriya Griffin, CFO

## INDEPENDENT AUDITORS' REPORT

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To the Shareholders and Directors of Ares Strategic Mining Inc.

### Opinion

We have audited the consolidated financial statements of Ares Strategic Mining Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

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

### Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, describes matters and conditions that indicate the existence of a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management's Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Waseem Javed.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

January 26, 2023

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30 September 2022	As at 30 September 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 44,144	\$ 1,051,149
Restricted cash	(12)	90,000	90,000
Amounts receivable	(8)	487,542	43,305
Marketable securities	(14)	385,954	-
Prepaid amounts and other assets		250,993	234,506
		<b>1,258,633</b>	<b>1,418,960</b>
<b>Non-current Assets</b>			
Deposits	(11)	104,475	97,629
Capital advances	(9)	770,493	3,551,000
Construction in progress	(10)	4,289,982	-
Property and equipment	(12)	225,361	237,932
Exploration and evaluation assets	(13)	9,484,946	8,101,175
		<b>14,875,257</b>	<b>11,987,736</b>
		<b>\$ 16,133,890</b>	<b>\$ 13,406,696</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(18)	\$ 762,321	\$ 452,197
Short-term loans	(15)	296,500	2,196,600
		<b>1,058,821</b>	<b>2,648,797</b>
<b>EQUITY</b>			
<b>Equity Attributable to Shareholders</b>			
Share capital	(17)	39,333,031	31,430,607
Subscriptions received	(17)	-	1,050
Options - Contributed surplus	(17)	2,540,308	2,417,500
Warrants - Contributed surplus	(17)	1,511,855	1,937,270
Accumulated other comprehensive income		78,111	(45,655)
Deficit		(27,162,989)	(23,759,558)
		<b>16,300,316</b>	<b>11,981,214</b>
<b>Non-controlling interests</b>	(17)	<b>(1,225,247)</b>	<b>(1,223,315)</b>
<b>Total Equity</b>		<b>15,075,069</b>	<b>10,757,899</b>
		<b>\$ 16,133,890</b>	<b>\$ 13,406,696</b>

Nature of operations and going concern	(1)	Capital management	(20)
Basis of preparation – Statement of Compliance	(2)	Commitment	(21)
Related party transactions and obligations	(18)	Subsequent events	(23)

The Consolidated Financial Statements were approved by the Board of Directors on 26 January 2023 and were signed on its behalf by:

***“Paul Sarjeant”***

Paul Sarjeant, Director

***“Michael Li”***

Michael Li, Director



**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Note	Year Ended 30 September 2022	Year Ended 30 September 2021
<b>General and Administrative</b>			
Stock-based compensation	(17)	\$ 1,969,808	\$ 1,468,000
Office and marketing		1,033,509	1,445,696
Professional fees		851,037	268,621
Management fees	(18)	194,250	201,250
Transfer agent and filing fees		63,463	113,704
Interest on convertible debt		51,230	-
Insurance		49,739	31,328
Depreciation	(12)	40,708	29,340
Resource property expenses		20,016	10,702
Bank charges and interest expense		5,671	5,021
Shareholder relations		3,074	29,221
Travel		2,494	2,905
		<b>(4,284,999)</b>	<b>(3,605,788)</b>
<b>Other Expenses</b>			
Foreign exchange gain / (loss)		30,452	(44,394)
Loss on revaluation of marketable securities	(14)	(184,587)	-
Loss on settlement of liability	(15)	(294,444)	-
Loss on disposition of exploration and evaluation asset	(13)	(229,785)	-
		<b>(4,963,363)</b>	<b>(3,650,182)</b>
<b>Net Loss for the Year</b>			
<b>Other Comprehensive Income (Loss)</b>			
Foreign operations – foreign exchange		123,766	(56,048)
		<b>(4,839,597)</b>	<b>(3,706,230)</b>
<b>Comprehensive Loss for the Year</b>			
<b>Net Income (Loss) Attributed to:</b>			
Shareholders		(4,961,431)	(3,651,098)
Non-controlling interest		(1,932)	916
		<b>(4,963,363)</b>	<b>\$ (3,650,182)</b>
<b>Comprehensive Income (Loss) Attributed to:</b>			
Shareholders		(4,837,665)	(3,707,146)
Non-controlling interest		(1,932)	916
		<b>\$ (4,839,597)</b>	<b>\$ (3,706,230)</b>
<b>Basic and Diluted Loss per Share</b>			
		<b>\$ (0.04)</b>	<b>\$ (0.04)</b>
<b>Weighted Average Shares Outstanding</b>			
		<b>126,097,681</b>	<b>94,263,190</b>



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity attributable to shareholders

	Shares	Share capital	Subscriptions received	Options	Warrants	Accumulated OCI	Deficit	Total Shareholders Equity	Equity attributable to NCI	Total
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
BALANCE AS AT 30 SEPTEMBER 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 9)	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	-	-	-	1,969,808	-	-	-	1,969,808	-	1,969,808
Shares issued for private placement, net	2,114,873	803,652	-	-	-	-	-	803,652	-	803,652
Shares issued for debt settlement	3,558,607	1,244,686	-	-	-	-	-	1,244,686	-	1,244,686
Shares issued upon conversion of convertible debentures	3,647,594	1,301,238	-	-	-	-	-	1,301,238	-	1,301,238
Stock options cancellation	-	-	-	(1,558,000)	-	-	1,558,000	-	-	-
Shares issued to asset acquisition	3,000,000	1,065,000	-	-	-	-	-	1,065,000	-	1,065,000
Shares issued upon exercises of warrants	15,507,419	2,767,288	(1,050)	-	(425,415)	-	-	2,340,823	-	2,340,823
Shares issued upon exercises of options	3,153,083	720,560	-	(289,000)	-	-	-	431,560	-	431,560
Other comprehensive income	-	-	-	-	-	123,766	-	123,766	-	123,766
Net loss for the year	-	-	-	-	-	-	(4,961,431)	(4,961,431)	(1,932)	(4,963,363)
BALANCE AS AT 30 SEPTEMBER 2022	137,772,408	39,333,031	-	2,540,308	1,511,855	78,111	(27,162,989)	16,300,316	(1,225,247)	15,075,069





**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Year Ended 30 September 2022	Year Ended 30 September 2021
<b>OPERATING ACTIVITIES</b>			
<b>Loss for the Year</b>		\$ (4,963,363)	\$ (3,650,182)
<b>Items not Affecting Cash</b>			
Depreciation	(12)	40,708	29,340
Stock-based compensation	(17)	1,969,808	1,468,000
Shares issued for liabilities		-	250,288
Loss on settlement of liability	(15)	294,444	-
Interest on convertible debt	(16)	51,230	-
Loss on sale of exploration property	(13)	229,785	-
Loss on revaluation of marketable securities	(14)	184,587	-
		<b>(2,192,801)</b>	<b>(1,902,554)</b>
<b>Net Change in Non-cash Working Capital</b>			
Accounts payable and accrued liabilities		397,866	40,664
Amounts receivable		5,763	(30,474)
Prepaid amounts and other assets		(23,331)	75,079
Long-term deposits		-	(25,448)
Loans		-	(23,355)
		<b>(1,812,503)</b>	<b>(1,866,088)</b>
<b>INVESTING ACTIVITIES</b>			
Equipment purchase	(12)	(23,988)	(77,176)
Investment in capital work in progress	(10)	(738,982)	-
Capital advances made	(9)	(770,493)	-
Proceeds from sale of property	(13)	75,000	-
Resource property – acquisition	(13)	(149,398)	(165,271)
Resource property - expenditures	(13)	(1,511,149)	(2,067,305)
		<b>(3,119,010)</b>	<b>(2,309,752)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from warrants exercised	(17)	2,340,831	2,327,298
Proceeds from options exercised	(17)	431,560	349,550
Proceeds from private placement	(17)	803,652	1,822,500
Subscriptions received		-	1,050
Short-term loans received	(15)	236,500	20,000
Share issuance cost		-	(47,003)
Due to related parties		-	600,000
		<b>3,812,543</b>	<b>5,073,395</b>
<b>Net effect of foreign currency translation</b>		<b>111,965</b>	<b>23,824</b>
<b>Net Increase in cash and cash equivalents</b>		<b>(1,007,005)</b>	<b>921,379</b>
Cash and cash equivalents – Beginning of Year		1,141,149	219,770
<b>Cash and cash equivalents – End of Year</b>		<b>\$ 134,144</b>	<b>\$ 1,141,149</b>



**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)**

	<b>Year Ended 30 September 2022</b>	<b>Year Ended 30 September 2021</b>
<b>Cash Position comprised of:</b>		
Restricted cash	\$ 90,000	\$ 90,000
Cash and cash equivalents	\$ 44,144	\$ 1,051,149
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Shares issued for capital advances (Note 9)	-	5,300,000
Units issued for Amalgamation	-	600,000
Warrants issued to agents	-	51,000
Warrants issued for debt settlement	<b>1,823,797</b>	-
Shares issued for asset acquisition (Note 13)	<b>3,000,000</b>	-
Interest paid	<b>51,230</b>	-

## NOTES TO THE 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”). As a result, Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

These 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.

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.

<b>(Rounded 000's)</b>		<b>30 September 2022</b>	30 September 2021
Working capital (deficiency)	:	<b>\$ 199,810</b>	\$ (1,230,000)
Accumulated deficit attributed to shareholders	:	<b>\$ 27,163,000</b>	\$ 23,760,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 2) Basis of preparation – Statement of Compliance

These 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 Consolidated 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 Consolidated Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies set out were consistently applied to all the years presented unless otherwise noted below. The preparation of the 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 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

#### a) Basis of presentation

These Consolidated Financial Statements incorporate the accounts of Ares and the entities controlled by the Company, which consist of:

- Canadian Iron Metallics Inc. (“Canadian Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, owned 85% by Lithium Energy.
- Griffith Iron Metallics Inc. (“Griffith Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, wholly owned by Canadian Iron.
- Karas Iron Metallics Inc. (“Karas Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, wholly owned by Canadian Iron.
- 1200944 BC Ltd., which was formed on 18 February 2020 in BC, Canada as part of the Amalgamation with ASM, wholly owned by Ares.
- 101017 BC Inc., which was incorporated on 11 October 2017 in the state of Delaware in the United States, wholly owned by 1200944 BC Ltd.
- Ares Strategic Mining, Inc., which was incorporated on 12 May 2020 in the state of Utah in the United States, wholly owned by Ares.
- Enyo Strategic Mining Inc. (“Enyo”), which was incorporated on 24 June 2022 in BC, Canada, wholly owned by Ares.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### **b) Foreign currency**

These Consolidated Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The functional currency of the Company's Canadian subsidiaries is the Canadian dollar. The functional currency of 101017 BC Inc. and ARES Strategic Mining Inc. (Utah) is the United States dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through profit or loss are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as fair value through profit or loss are reported as part of the fair value gain or loss and are included in equity.

### **c) Cash and cash equivalents**

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at a point of purchase of three months or less.

### **d) Marketable securities**

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

### **e) Property and equipment**

Property and equipment are depreciated using the straight-line method based on estimated useful lives. Land is not depreciated.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Property and equipment are stated, in the consolidated statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of property and equipment includes directly attributed incremental costs incurred in their acquisition and installation.

Assets held under capital lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive loss.

### Subsequent costs

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

### Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the year.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer Equipment	1-3 years
Field Equipment	3-5 years
Auto	10 years

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### **f) Exploration and evaluation assets**

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Costs of acquisition and exploration of mineral properties are capitalized until either commercial production is established or a property is abandoned. Once commercial production has commenced, the net costs of the applicable property are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company reviews the indicators of impairment of each property on an annual basis, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed, and the exploration results achieved by the Company and others. When the indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount. An impairment adjustment is made for the decline in fair value.

The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Since options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the year that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

### **g) Construction in progress**

Expenditure incurred during the construction period on the projects under implementation are treated as Pre-operative expenses pending allocation to property, plant and equipment and are included under Construction in progress, which is stated at the amount incurred up to the date of the consolidated statements of financial position.

### **h) Provision for reclamation and remediation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change because of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### **i) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### **j) Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **k) Financial instruments**

All financial instruments are measured at initial recognition at fair value plus any transaction costs that are directly attributable to the acquisition of the financial instruments except for transaction costs related to financial instruments classified as at fair value through profit or loss (FVPL) which are expensed as incurred.

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three categories into which the Company can classify its financial assets:

- i) **Amortized cost.** A financial asset is measured at amortized cost if the contractual cash flows to repay the principal and interest are made at specific dates and if the Company's business model is to collect the contractual cashflows. Subsequent measurement uses the effective interest method, less any provision for impairment.
- ii) **Fair value through other comprehensive income (FVOCI).** A financial asset is measured at FVOCI if the Company's business model is both to collect the contractual cashflows and sell assets and the contractual



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

- iii) terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest.
- iv) Fair value through profit or loss (FVPL). A financial asset is measured at FVPL if it cannot be measured at amortized cost or FVOCI. At initial recognition the Company may also irrevocably designate a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

A financial asset is derecognized when the Company no longer has the rights to the contractual cash flows due to expiration of that right or the transfer of the risks and rewards of ownership to another party. The Company recognizes a loss allowance for expected credit losses on its financial assets using the simplified approach which permits the use of the lifetime expected loss provision for all amounts receivables. At each reporting date the Company assesses impairment of amounts receivable on a collective basis as its amounts receivable possess shared credit risk characteristics and have been grouped based on days past due. The loss allowance will be based upon the Company's historical credit loss experience over the expected life of trade receivables and contract assets, adjusted for forward looking estimates. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company's financial assets consist of cash and cash equivalents, which have been classified at FVPL.

A financial liability is initially classified as measured at amortized cost or FVPL. A financial liability is classified as measured at FVPL if it is held for trading, a derivative, contingent consideration of an acquirer in a business combination, or has been designated as FVPL on initial recognition. Financial liabilities at FVPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable, short-term loans and long-term loans, which have been classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

### **l) Share capital**

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in share capital with the common shares that were concurrently issued, based on their relative fair values. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model.

After issuance the terms of Warrants may be modified throughout the Warrant life. At the time of the modification the Warrant is valued under the new terms immediately preceding and immediately after the modification using the Black-Scholes pricing model. The incremental value in the Warrants issued as compensation for services is added to warrant equity and a warrant modification expense is recorded to the consolidated statement of loss and comprehensive loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### **m) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the year that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

### **n) Loss per share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed like basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### **4) 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 Corporation 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.

### **a) Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit/loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations if the functional currency is not the Canadian dollar. The Company's comprehensive loss is presented in the Consolidated Statements of Loss and Comprehensive Loss and the Consolidated Statements of Changes in Equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 5) New accounting standards

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's Financial Statements.

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after 1 January 2021, will have on its consolidated financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changes on the Financial Statements to be material, although additional disclosure may be required.

The following standards have been issued and will be effective on 1 October 2023 for the Company, with earlier application permitted. The Company is currently evaluating the impact of those standards on its Financial Statements.

#### **Classification of Liabilities as Current or Non-current – Amendments to IAS 1.**

In January 2020, the IASB amended IAS 1 Presentation of Financial Statements. The amendment clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period which only impacts the presentation of liabilities in the statements of financial position. The classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability.

#### **Disclosure of Accounting Policy Information – Amendments to IAS 1 and IFRS Practice Statement 2**

In February, 2021, the IASB amended IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements to require the Company to disclose its material accounting policy information rather than its significant accounting policies.

#### **Definition of Accounting Estimates – Amendments to IAS 8**

In February 2021, the IASB amended IAS 8 Accounting Policies, Changes in Accounting estimates and Errors to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

In May 2021, the IASB amended IAS 12 Income Taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

### 6) 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 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.

#### Going concern evaluation

As discussed on Note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption 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.

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 September 2021.

#### Exploration evaluation assets

The Company makes certain judgements 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.

### b. Estimates

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 7) Financial instruments and risk management

#### a) Financial instrument classification and measurement

Financial instruments of the Company carried on the 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 September 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.

#### b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts payable, marketable securities, capital advances and short-term loans. As at 30 September 2022, the carrying value of cash and cash equivalents, restricted cash and marketable securities 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 September 2022, the Company held currency totalling the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

CURRENCY	30 September 2022	30 September 2021
Canadian (Dollars)	\$ 87,351	\$ 834,204
US (Dollars)	\$ 34,249	\$ 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 September 2022, the Company had a cash balance of \$44,144 to settle current liabilities of \$1,058,821 that are due within one year.

**8) Amounts receivable**

Amounts receivable consists of:

AMOUNTS RECEIVABLE	30 September 2022	30 September 2021
Goods and services tax receivable	\$ 37,542	\$ 43,305
Receivable on disposition (Note 13)	\$ 450,000	-
	<b>487,542</b>	<b>43,305</b>

**9) Capital advances**

- a) On 22 July 2022, the Company entered into an asset purchase agreement to acquire certain mineral resource entities (the "Asset Purchase Agreement"). The mineral resource entities are undergoing a sale in accordance with orders issued by the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the "Court") pursuant to the Companies' Creditors Agreement Act of Canada (the "CCAA").

On 26 August 2022, the Company and the court-appointed monitor signed a binding letter of offer ("Binding Offer") in connection with the Asset Purchase Agreement outlining the terms of the purchase as well as specifying the purchase price to be approximately \$21.5 million payable in cash and stock options to purchase 3,000,000 common shares of the Company at a price of \$0.50 per common share.

On 30 September 2022, the Company signed a subscription agreement to purchase 100% of the issued and outstanding common shares of the entities to be acquired pursuant to the Asset Purchase Agreement and Binding Offer.

As at 30 September 2022, the Company has paid an advance of \$750,000 to the court-appointed monitor. The closing of the transaction and the acquisition of the mineral resource entities as noted above is subject to various terms and conditions, including the approval of the court-appointed monitor, the debtors of the mineral resource entities being acquired, and the availability of financing to complete the purchase, amongst various others (see Note 23 – Subsequent events).

- b) The Company has paid a deposit of USD \$15,000 in connection with an agreement to purchase an industrial property located in Millard County in the State of Utah (the "Agreement"). The total consideration payable is USD \$2,000,000. The original closing date for the Agreement was 28 July 2022, however, an amendment was executed to extend the closing date to 31 December 2022. The Agreement has not closed to date and the Company is negotiating a new closing date for the Agreement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 10) Construction in progress

During the year ended 30 September 2021, the Company 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 consideration was recorded as a capital advance to Mujim as at 30 September 2021.

The Company has agreed that, upon completion of the Facility, it would 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.

During the year ended 30 September 2022, the Company received significant components (including the structure) of the Facility and incurred an additional \$572,139 to acquire these additional components and structure for the Facility and received their delivery, however installation of the Facility has not occurred as at 30 September 2022, and as a result, the consideration to date has been recorded as construction in progress. To date, the Company has incurred \$4,289,982 related to acquiring the Facility. Upon completing the Company’s planned acquisition of land for installation of the Facility (see Note 9 – Capital advances) and delivery of the remaining components, the Company is expected to incur additional costs (as noted above) to complete the installation, and begin operation, of the Facility.

### 11) Deposits

Deposits consist of:

	30 September 2022	30 September 2021
<b>DEPOSITS</b>		
Office lease	\$ 2,912	\$ 2,912
Surety deposits	101,563	94,717
	<b>\$ 104,475</b>	<b>\$ 97,629</b>

As at 30 September 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 \$101,563 (2021 - \$94,717) paid to the State of Utah for a five-year escalation at Lost Sheep and Bell Hill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**12) Property and equipment**

PROPERTY AND EQUIPMENT	Equipment	Auto	Land	Total
<b>COST</b>				
Balance as at 1 October 2020	\$ 126,736	\$ -	\$ 75,000	\$ 201,736
Addition	10,605	66,571	-	77,176
Foreign Exchange	-	(23)	-	(23)
<b>Balance as at 30 September 2021</b>	<b>\$ 137,341</b>	<b>\$ 66,548</b>	<b>\$ 75,000</b>	<b>\$ 278,889</b>
Addition	23,988	-	-	23,988
Foreign Exchange	-	4,149	-	4,150
<b>Balance as at 30 September 2022</b>	<b>\$ 161,329</b>	<b>\$ 70,699</b>	<b>\$ 75,000</b>	<b>\$ 307,026</b>
<b>DEPRECIATION</b>				
Balance as at 1 October 2020	11,617	-	-	11,617
Depreciation for the year	26,590	2,750	-	29,340
<b>Balance as at 30 September 2021</b>	<b>\$ 38,207</b>	<b>\$ 2,750</b>	<b>\$ -</b>	<b>\$ 40,957</b>
Depreciation for the year	34,041	6,667	-	40,708
<b>Balance as at 30 September 2022</b>	<b>\$ 72,248</b>	<b>\$ 9,417</b>	<b>\$ -</b>	<b>\$ 81,665</b>
<b>CARRYING AMOUNTS</b>				
<b>Balance as at 30 September 2021</b>	<b>\$ 99,134</b>	<b>\$ 63,798</b>	<b>\$ 75,000</b>	<b>\$ 237,932</b>
<b>Balance as at 30 September 2022</b>	<b>\$ 89,081</b>	<b>\$ 61,281</b>	<b>\$ 75,000</b>	<b>\$ 225,361</b>

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

Depreciation is charged to recognize the cost of the asset on the Consolidated Statements of Loss and Comprehensive loss using the straight-line method over the estimated useful life of the asset.

During the year ended 30 September 2022, the Company acquired an excavator and a 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 a 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.

Land comprises five Canadian properties located in Ontario, Canada (Note 13(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 consolidated statement of loss and comprehensive loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 13) Exploration and evaluation assets

The following table summarizes exploration and evaluation assets:

EXPLORATION AND EVALUATION ASSETS	Spor Mountain	Liard Fluorspar	Vanadium Ridge	Jackpot Lake	Wilcox Playa	Ontario Properties	Total
<b>Balance as at 30 September 2020</b>	\$ 2,486,896	\$ 432,332	\$ 312,000	\$ 1,212,782	\$ -	\$ 4	\$ 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)
<b>Balance as at 30 September 2021</b>	\$ 5,963,140	\$ 484,076	\$ 327,580	\$ 1,326,375	\$ -	\$ 4	\$ 8,101,175
Geological consulting	<b>1,023,323</b>	<b>33,150</b>	-	-	-	-	<b>1,056,473</b>
Acquisition	<b>132,067</b>	-	<b>1,065,000</b>	-	<b>17,321</b>	-	<b>1,214,388</b>
Administration and camp	<b>174,104</b>	<b>29</b>	<b>252</b>	-	-	-	<b>174,385</b>
Drilling	<b>15,183</b>	-	-	-	-	-	<b>15,183</b>
Staking and claiming	<b>239,316</b>	<b>8,330</b>	<b>17,950</b>	-	-	-	<b>265,596</b>
Disposition	-	-	-	<b>(1,326,375)</b>	-	-	<b>(1,326,375)</b>
Adjustments on currency translation	<b>(15,879)</b>	-	-	-	-	-	<b>(15,879)</b>
<b>Balance as at 30 September 2022</b>	\$ 7,531,254	\$ 525,585	\$ 1,410,782	\$ -	\$ 17,321	\$ 4	\$ 9,484,946

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### a) Spor Mountain

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 amalgamation with ASM 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 with ASM, 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 was 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 Company paid the cash consideration of \$31,000 and issued 5,000,000 shares during the year ended 30 September 2020 for the property.

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.

Subsequent to the year end, pursuant to an arrangement agreement with its wholly owned subsidiary, Enyo, the Company transferred all its right, title and interest in and to the Liard Fluorspar property (see Note 23 – Subsequent events).

### c) Vanadium Ridge

During the year ended 30 September 2022, the Company signed an agreement with Imbue Capital Inc. (“Imbue”) for the purchase of an additional 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 (“Cash Contribution”). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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.

Subsequent to the year end, pursuant to an arrangement agreement with its wholly owned subsidiary, Enyo, the Company transferred all its right, title and interest in and to the Vanadium Ridge property to Enyo (see Note 23 – Subsequent events).

### **d) Jackpot Lake property**

On 11 January 2019, the Company acquired 100% of the Jackpot Lake property.

The seller retaining 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.

On 17 March 2022, the Company entered into a mineral property option agreement with USHA Resources Ltd. (“USHA”) of Vancouver, British Columbia, whereby USHA was granted an exclusive option to acquire a 100% interest in the claims comprising the Jackpot Lake property in exchange for the following consideration:

- \$75,000 payable in cash (received) within five days from receiving approval from the TSX Venture Exchange.
- \$500,000 payable in common shares (received) of USHA within five days from the date of Exchange approval, to be issued at a deemed value at the greater of the 10-day volume weighted average price (“VWAP”) or discounted market price.
- \$225,000 payable through a combination of cash or common shares of USHA (at the discretion of the Company), up to a maximum of 1,500,000 common shares of USHA, on the six-month anniversary date of the Exchange approval, to be issued at a deemed value at the greater of the 10-day VWAP or discounted market price.
- \$225,000 payable through a combination of cash or common shares of USHA (at the discretion of the Company), up to a maximum of 1,500,000 common shares, on the twelve-month anniversary date of the Exchange approval, to be issued at a deemed value at the greater of the 10-day VWAP or discounted market price.

Additionally, USHA will be required to complete no less than \$1,000,000 worth of Expenditures on the claims comprising the Jackpot Lake property within two years unless the option has been exercised in full. The Company will retain a 1% Gross Overriding Royalty (the “GORR”), subject to a buyback provision by USHA, whereby USHA may acquire, at any time, one-half of the GORR for \$1,000,000. All securities issued in connection with the the option agreement by USHA are subject to a four-month-and-one-day statutory hold period.

### **e) Wilcox Playa**

The Company had written off this property in the year ended 30 September 2019. Subsequent to the year-end, the Company sold this property (see Note 23 – Subsequent events).

### **f) Ontario properties**

The Company holds a 100% interest in five properties located in Ontario, Canada.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**14) Marketable securities**

The following is a summary of the Company's fair value of marketable securities:

MARKETABLE SECURITIES	Number of shares	30 September 2022	
<b>Balance – Beginning of Year</b>	-	\$	-
Common shares of USHA received	1,678,062		385,954
<b>Balance – End of Year</b>	1,678,062	\$	385,954

Pursuant to a mineral property option agreement whereby the Company granted USHA Resources Ltd. an option to acquire a 100% interest in the Jackpot Lake property, the Company received 1,678,062 common shares of USHA on 29 April 2022 and a further 745,033 common shares USHA subsequent to the year end. As at 30 September 2022, the Company has recorded a loss of \$184,587 on revaluation of these marketable securities.

**15) Short-term loans**

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

SHORT-TERM LOANS	Year	Outstanding Principal	Interest and Financing Fees	Total
Loan from Clearwater Group Inc.	2022	- \$	- \$	-
	2021	1,274,100 \$	- \$	1,274,100
Operational loans from related parties	2022	86,500	-	86,500
	2021	862,500	-	862,500
Canada Emergency Business Account loan	2022	60,000	-	60,000
	2021	60,000	-	60,000
Others	2022	150,000	-	150,000
	2021	-	-	-
<b>Total as at 30 September 2022</b>	<b>2022</b>	<b>\$ 296,500</b>	<b>\$ -</b>	<b>\$ 296,500</b>
Total as at 30 September 2021	2021	2,196,600	-	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 13(a) – Exploration and evaluation assets). 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 16 – Convertible debentures).

During the year ended 30 September 2022, the Company settled the outstanding loans of \$862,500 with related parties (Officer and Director of the Company), and obtained additional \$86,500 as a loan from the Officer of Company with no set terms of repayment. Prior to that, during the year ended 30 September 2021, the Company had 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 common shares of the Company owned by them to the unrelated parties. The same related parties of the Company also settled the Company's outstanding liabilities to these



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

unrelated parties in the amount of \$262,500. 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.

Further, during the year ended 30 September 2022, the Company also received \$150,000 loan from non-related parties at an interest rate of 12% and the lender will be entitled to an additional closing fee of \$25,000 that will be settled in common shares.

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 outstanding as at 30 September 2022. The Company will receive a \$20,000 loan forgiveness upon repayment, provided it is repaid in full on or before 31 December 2023.

### **16) 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 Spor Mountain 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 was 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 common share and one-half of one share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share at an exercise at a premium to the market price per Share as follows: 25% premium on a common share price up to \$0.50; 20% premium on a common share price between \$0.51 and \$2.00; and 15% premium on a common share price above \$2.01. Each warrant entitles the holder, on exercise, to purchase one common 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.

During the year ended 30 September 2022, the Company recognized \$51,230 in interest which was recorded as interest expense in the consolidated statements of loss and comprehensive loss and had settled that interest and convertible debt in the amount of \$1,250,000 through the issuance of 3,647,594 common shares of the Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**17) Share capital**

**a) Authorized:**

Unlimited common shares without par value.

**b) Issued or allotted and fully paid:**

During the year ended 30 September 2022:

	Number of Shares	Amount
<b>Balance as at 1 October 2021</b>	106,790,832	31,430,607
Shares issued for private placement	<b>2,114,873</b>	<b>803,652</b>
Shares issued for debt settlement	<b>3,558,607</b>	<b>1,244,684</b>
Shares issued upon conversion of convertible debentures	<b>3,647,594</b>	<b>1,301,240</b>
Shares issued as part of property acquisition (Note 11(c))	<b>3,000,000</b>	<b>1,065,000</b>
Shares issued upon exercise of warrants	<b>15,507,419</b>	<b>2,767,288</b>
Shares issued upon exercise of options	<b>3,153,083</b>	<b>720,560</b>
<b>Balance as at 30 September 2022</b>	<b>137,772,408</b>	<b>39,933,031</b>

During the year ended 30 September 2022:

- The Company issued 3,153,083 common shares upon the exercise of stock options for gross proceeds of \$431,561.
- The Company issued 15,507,419 common shares upon the exercise of warrants for gross proceeds of \$2,340,823.
- 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 3,647,594 common shares upon conversion of convertible debentures and interest in the amount of \$1,301,240.
- The Company issued 3,558,607 common shares in debt settlement of \$1,244,684 out of which 3,305,554 common shares were issued in connection with the related parties' short-term loan settlement fair valued at \$1,156,944 (Note 15).
- 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 (see Note 13 – Exploration and evaluation assets).

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

- The Company issued 600,000 common shares as part of the Amalgamation agreement (Note 6).
- 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 years ended 30 September 2022 and 2021 is as follows:

STOCK OPTION ACTIVITY	30 September	Weighted	30 September	Weighted
	2022	Average	2021	Average
		Exercise Price		Exercise Price
<b>Balance – Beginning of Year</b>	<b>9,149,500</b>	<b>0.44</b>	6,850,000 \$	0.44
Issued	8,441,636	0.42	5,450,000	0.62
Exercised	(3,153,083)	0.14	(3,150,500)	0.11
Expired	(150,000)	(1.30)	-	-
Cancelled	(6,200,000)	(0.46)	-	-
<b>Balance – End of Year</b>	<b>8,088,053</b>	<b>0.42</b>	9,149,500 \$	0.44

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

Issuance Date	Expiry Date	Exercise Price	30 September 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	-	2,150,000
19 May 2021	19 May 2023	\$ 0.62	-	5,450,000
16 December 2021	15 December 2023	\$ 0.31	1,888,053	-
8 February 2022	7 February 2027	\$ 0.46	6,200,000	-
			<b>8,088,053</b>	9,149,500

During the year ended 30 September 2022:

3,153,083 stock options were exercised during the year.

As at 30 September 2022, the outstanding options have a weighted average remaining life of 3.13 years (2021 – 1.26 years) and a weighted average exercise price of \$0.42 (2021 – \$0.44). All the outstanding options have vested and are exercisable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

During the year ended 30 September 2021:

3,150,500 stock options were exercised during the year.

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 September 2022 and 2021 are as follows:

WARRANT ACTIVITY	30 September	Weighted	30 September	Weighted
	2022	Average	2021	Average
		Exercise Price		Exercise Price
<b>Balance – Beginning of Year</b>	<b>16,621,707</b>	<b>0.15</b>	31,734,665	\$ 0.15
Issued	<b>1,823,797</b>	<b>0.44</b>	51,000	0.50
Exercised	<b>(15,507,419)</b>	<b>0.15</b>	(15,163,963)	0.15
Expired	<b>(1,063,283)</b>	<b>0.13</b>	-	-
<b>Balance – End of Year</b>	<b>1,874,797</b>	<b>0.45</b>	16,621,702	\$ 0.15

During the year ended 30 September 2022:

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

Issuance Date	Expiry Date	Exercise Price	30 September 2022	30 September 2021
3 January 2020	3 January 2022	\$ 0.15	-	31,250
13 February 2020	13 February 2022	\$ 0.15	-	9,609,726
14 February 2020	14 February 2022	\$ 0.15	-	1,021,729
18 February 2020	18 February 2022	\$ 0.16	-	1,821,873
15 June 2020	15 June 2022	\$ 0.15	-	4,086,124
17 March 2021	17 March 2023	\$ 0.50	<b>51,000</b>	51,000
14 February 2022	13 February 2024	\$ 0.50	<b>837,500</b>	-
30 May 2022	30 May 2024	\$ 0.40	<b>986,297</b>	-
			<b>1,874,797</b>	16,621,702

As at 30 September 2022, the outstanding warrants have a weighted average remaining life of 1.50 years (2021 - 0.46 years) and a weighted average exercise price of \$0.45 (2021 - \$0.15).

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 77%, expected life of 2 years, and a risk-free rate of 0.31%. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**e) Share-based payments**

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

	30 September 2022	30 September 2021
<b>Total Options Granted</b>	<b>8,441,636</b>	5,450,000
Average exercise price	\$ <b>0.42</b>	0.62
Estimated fair value of compensation	\$ <b>1,969,808</b>	1,468,000
Estimated fair value per option	\$ <b>0.16 - 0.26</b>	0.30

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 September 2022	30 September 2021
Risk free interest rate	<b>0.8% - 1.68%</b>	0.33%
Expected stock price volatility	<b>81% - 87%</b>	81%
Expected option life in years	<b>2.00 - 5.00</b>	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 30 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 30 September 2022, 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 September 2022 is an accumulated deficit of \$1,225,247 (2021 - \$1,223,315). For the year ended 30 September 2022, net loss and comprehensive loss of \$1,932 (2021 - \$916) has been attributed to the non-controlling interest in these Financial Statements.

### 18) 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			Remuneration or fees <sup>(ii)</sup>	Share-based payments	Amounts Payable and Accrued Liabilities
Name and Principal Position	Year <sup>(i)</sup>				
CEO and Director – Management fees	2022	\$	144,000	424,783	124,300
	2021	\$	144,000	364,500	21,100
CFO – Management fees	2022	\$	48,000	158,290	4,000
	2021	\$	48,000	135,000	4,000
CFO – Professional fees	2022	\$	63,800	-	4,897
	2021	\$	60,589	-	10,519
Directors – Director fees	2022	\$	2,250	245,464	46,002
	2021	\$	4,250	405,000	6,038
Directors – Consulting fees	2022	\$	45,975	353,667	20,911
	2021	\$	89,000	337,500	12,675
Former Director – Consulting fees	2022	\$	-	251,964	4,800
	2021	\$	-	-	-
<b>Total</b>	2022	\$	304,025	1,434,168	204,910
	2021	\$	345,839	1,242,000	54,332

<sup>(i)</sup> For the year ended 30 September 2022 and 2021.

<sup>(ii)</sup> Amounts disclosed were paid or accrued to the related party.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 (15) and debt settlements with related parties are described in Note (15). There are no specific terms and conditions attached to the said loans.

During the year ended 30 September 2021, the Company also entered into a series of agreements to acquire a plant facility from a related party. Further details on this transaction and consideration issued and paid during the years ended 30 September 2022 and 2021 are detailed in Note (10).

### 19) 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
<b>30 September 2022</b>			
Current Assets	\$ 1,257,000	2,000	1,259,000
<b>Non-Current Assets</b>			
Other non-current assets	5,320,000	61,000	5,381,000
Resource properties	7,113,000	2,381,000	9,494,000
<b>Liabilities</b>			
Current Liabilities	1,020,000	39,000	1,059,000
<b>30 September 2021</b>			
Current Assets	\$ 1,406,000	\$ 13,000	\$ 1,419,000
<b>Non-Current Assets</b>			
Other non-current assets	3,823,000	64,000	3,887,000
Resource properties	4,451,000	3,650,000	8,101,000
<b>Liabilities</b>			
Current Liabilities	2,610,000	39,000	2,649,000

### 20) 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 and debt 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 21) Commitments

During the year ended 30 September 2022, the Company entered into an agreement to extend the lease of the premises for another extension of 12 months commencing 1 July 2022 and expiring 30 June 2023. The Company's remaining annual minimum lease payments as at 30 September 2022 are shown below:

Fiscal 2023	14,334
<b>Total</b>	<b>\$ 14,334</b>

On 10 December 2021, the Company acquired an exclusive right and access to develop a project in Kentucky, US., for which an initial payment of \$25,000 has already been made during the year ended September 30, 2022 for an initial term of one year (the "Initial Term"). The Company has also agreed to pay the previous owners of this project, a production royalty of \$1 per ton of minerals mined from the property and upon exhaustion of the delineated historic resource estimate, a 5% NSR on further extracted minerals from the property. Upon the expiry of the Initial Term, there is an automatic renewal without notice for an additional one-year term ("Renewal Term") with additional \$25,000 advance royalty payment to extend this agreement for up to three years, which the Company has not made that payment yet.

### 22) Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian and USA statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended 30 September 2022 and 2021.

	<b>30 September 2022</b>	<b>30 September 2021</b>
Net loss before tax	\$ (4,963,363)	\$ (3,650,182)
Statutory tax rate	<b>25.85-29.70</b>	27.00% to 29.70%
Expected income tax (recovery)	<b>(1,354,000)</b>	(986,000)
Permanent differences and other	<b>571,000</b>	378,000
Change in deferred tax asset not recognized	<b>783,000</b>	608,000
Total income tax expense (recovery)	<b>\$ -</b>	<b>\$ -</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The unrecognized deductible temporary differences and deferred income tax assets as at 30 September 2022 and 2021 are comprised of the following:

	30 September 2022		30 September 2021	
	Temporary difference	Deferred income tax asset	Temporary difference	Deferred income tax asset
Non-capital losses carry-forwards	\$ 21,088,000	5,694,000	\$ 18,081,000	\$ 4,883,000
Exploration and evaluation assets	7,349,000	1,992,000	7,475,000	2,030,000
Capital losses	-	-	29,000	8,000
Financing costs	170,000	46,000	250,000	67,000
Marketable securities	114,000	31,000	-	-
Property and equipment	170,000	46,000	139,000	38,000
<b>Total unrecognized deductible temporary differences and deferred income tax assets</b>	<b>\$ 28,891,000</b>	<b>7,809,000</b>	<b>\$ 25,974,000</b>	<b>\$ 7,026,000</b>

As at 30 September 2022, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of \$21,087,000 (2021 - \$18,081,000) in Canada and USA which may be carried forward to apply against future year's income tax for Canadian and USA income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2032	\$ 156,000
2033	1,591,000
2034	1,180,000
2036	8,593,000
2037	1,206,000
2038	871,000
2039	1,002,000
2040	1,170,000
2041	2,312,000
2042	3,006,000
<b>Total</b>	<b>\$ 21,087,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### 23) Subsequent events

- As described in (Note 9a), the Company entered into a series of agreements, including the Asset Purchase Agreement, Binding Offer and Subscription Agreement to acquire certain mineral resource entities as at 30 September 2022 and had advanced a deposit of \$750,000 in connection with the same. On 1 November 2022 the court-appointed monitor terminated the Binding Offer citing breach of certain terms of the Binding Offer and Subscription Agreement as the Company had failed to make the required advances subsequent to year-end. The court-appointed monitor had threatened to pursue legal proceedings to recoup losses incurred as a result of the Company's failure to meet the terms of the Binding Offer and Subscription Agreement. Upon negotiations, and following the payment of an additional deposit of \$500,000, the Company was provided with an extension to 16 January 2023 to submit a proposal and plan for the review of the court-appointed monitor and debtors of the mineral resource entities. The Company submitted a revised proposal and plan for the acquisition on 16 January 2023. Should the Company's proposal and plan not be accepted, the Company may not be able to recoup the total deposit paid of \$1,250,000.

In connection with this transaction, the Company has:

- Signed a term sheet for a secured credit facility in the amount of \$2 million on 6 October 2022 for down payment, repayable on 31 October 2023, bearing interest at a rate of 12%, calculated daily, compounded monthly. In connection with this term sheet, the Company has agreed to pay a commitment fee of \$200,000 to the lender. To date, the Company has not received any funds from this credit facility.
- Engaged a consulting firm to structure and deliver funds required for the transaction, in exchange for which, the Company shall pay a fee of \$30,000.
- Signed a financial advisory agreement on 26 October 2022, whereby the advisor will assist in matters associated with arranging financing for the transaction. A commitment fee of \$25,000 was paid upon execution of this agreement and the Company has agreed to pay a financing fee of 20% for financing raised. To date, the Company has not received any financing from this advisor.
- Signed a bridge financing agreement on 1 November 2022 for an amount of \$3.6 million. A work fee of \$50,000, 8% transaction fee and common shares of the Company valued at \$400,000 are payable and issuable upon closing of the financing.
- Signed a share subscription facility agreement on 1 December 2022 with a Bahamas based company to raise up to \$35 million. The Company will pay a commitment fee equal to 2% of the proceeds raised payable in cash or equity, and will also be responsible for all legal fees and expenses not to exceed \$35,000. To date, the Company is yet to receive from this facility agreement.
- Signed a lending agreement on 15 January 2023 with a UK based broker whereby the latter has agreed to issue to the Company, USD \$50 million in financial instruments guaranteed by HSBC banking services and which has agreed to fund an initial USD \$10 million to the Company. To date, the Company is yet to receive from this facility agreement.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The availability of funds pursuant to the credit facility, financing agreements, share subscription facility agreement, and lending agreement described above are all subject to various terms and conditions, including due diligence to be performed by the counter-parties, ability of the counter-parties to provide the agreed upon financing and agreement on terms of such financings.

- On 5 October 2022, the Company entered into an arrangement agreement with its wholly-owned subsidiary, Enyo, pursuant to which the Company intends to transfer all of its right, title and interest in and to its Liard property and Vanadium Ridge properties to Enyo. The Company is working with counsel to complete the steps required to close the arrangement agreement.
- Subsequent to the year-end, the Company received cash proceeds of \$40,000 upon the execution of a sale agreement, whereby the Wilcox Playa property, including its mining information and the right to receive the staking deposit was sold to a third party for a cash consideration of \$40,000 and issuance of 500,000 common shares in the capital of purchaser.
- On 25 November 2022, the Company signed a finder fee agreement in respect of the non-brokered private placement of secured convertible debentures for an amount of maximum \$1 million. The Company has agreed to pay 8% of gross proceeds raised from this issuance and also issue non-transferable share purchase warrants equal to 8% of number of common shares issuable on conversion of the debentures. As additional consideration, the Company paid to the subscribers a financing fee equal to 45% of the principal amount. To date, the Company has issued convertible debentures for amounts totalling \$1,252,700 for an aggregate proceeds of \$688,985. On 2 December 2022, Ares filed material changes stating it has closed the first tranche of a non-brokered private placement offering of secured convertible debentures of the Company for aggregate proceeds of \$643,005. On 16 December 2022, Ares announced that it has closed the second tranche of a non-brokered private placement offering of secured convertible debentures of the Company for aggregate proceeds of \$45,980.