



# **Ares Strategic Mining Inc.**

(formerly Lithium Energy Products Inc.)

**Condensed Interim Consolidated Financial Statements**

**For the Nine Months Ended 30 June 2020**

**Stated in Canadian Dollars**

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## **Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements**

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

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

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## **MANAGEMENT'S RESPONSIBILITY**

To the Shareholders of Ares Strategic Mining Inc.:

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

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

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

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

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

*"James Walker"*

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James Walker, CEO

*"Viktoriya Griffin"*

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Viktoriya Griffin, CFO

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30 June 2020	As at 30 September 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 497,870	\$ 784
Amounts receivable	(7)	44,114	37,301
Prepaid amounts and other assets		386,796	1,956
		<b>928,780</b>	<b>40,041</b>
<b>Non-current Assets</b>			
Deposits	(8)	2,912	2,912
Property and equipment	(9)	196,455	75,000
Exploration and evaluation assets	(0)	4,673,018	2,172,678
		<b>4,872,385</b>	<b>2,250,590</b>
		<b>\$ 5,801,165</b>	<b>\$ 2,290,631</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(14)	\$ 399,922	\$ 527,999
Promissory note payable	(11)	-	104,724
Short-term loans	(12)	24,149	174,428
		<b>424,071</b>	<b>807,151</b>
<b>EQUITY</b>			
<b>Equity Attributable to Shareholders</b>			
Share capital	(13)	21,645,693	18,461,617
Shares to be issued	(13)	-	53,000
Options - Contributed surplus	(13)	899,500	628,500
Warrants - Contributed surplus	(13)	3,027,451	1,446,671
Accumulated other comprehensive income ("OCI")		47,934	37
Deficit		(19,019,146)	(17,885,181)
		<b>6,601,432</b>	<b>2,704,644</b>
<b>Non-controlling interests</b>	(13)	<b>(1,224,338)</b>	<b>(1,221,164)</b>
<b>Total Equity</b>		<b>5,377,094</b>	<b>1,483,480</b>
		<b>\$ 5,801,165</b>	<b>\$ 2,290,631</b>

Nature of operations and going concern	(1)	Capital management	(16)
Basis of preparation – Statement of Compliance	(2)	Commitment	(17)
Related party transactions and obligations	(14)	Subsequent events	(18)

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on 27 August 2020 and were signed on its behalf by:

**"Paul Sarjeant"**

Paul Sarjeant, Director

**"Karl Marek"**

Karl Marek, Director

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	Note	Nine Month Ended 30 June 2020	Nine Month Ended 30 June 2019	Three Month Ended 30 June 2020	Three Month Ended 30 June 2019
<b>General and Administrative</b>					
Office and marketing		381,819	12,370	322,221	4,111
Stock-based compensation	\$	271,000	\$ -	\$ -	\$ -
Management fees	(14)	195,828	115,669	113,750	43,750
Professional fees		158,209	185,284	25,853	67,940
Transfer agent and filing fees		64,270	13,065	38,204	1,107
Travel		15,435	4,051	10,061	1,252
Insurance		13,044	5,154	7,752	1,527
Foreign exchange loss/(gain)		11,245	4,080	1,622	8,575
Shareholder relations		9,846	232	7,859	-
Bank charges and interest expense		9,105	4,901	2,602	3,105
Amortization		5,281	-	5,281	-
Resource property expenses		2,057	1,942	(14,184)	601
		<b>1,137,139</b>	<b>346,748</b>	<b>521,021</b>	<b>131,968</b>
<b>Other Expenses</b>					
Loss on sale on marketable securities		-	57,628	-	-
<b>Net (Loss) for the period</b>		<b>\$ (1,137,139)</b>	<b>\$ (404,376)</b>	<b>\$ (521,021)</b>	<b>\$ (131,968)</b>
<b>Other Comprehensive Income</b>					
Foreign operations – foreign exchange		47,897	-	(84,102)	-
<b>Comprehensive (Loss) for the period</b>		<b>\$ (1,089,242)</b>	<b>\$ (404,376)</b>	<b>\$ (605,123)</b>	<b>\$ (131,968)</b>
<b>Net (Loss) Attributed to:</b>					
Shareholders		(1,133,965)	(404,085)	(521,452)	(131,878)
Non-controlling interest		(3,174)	(291)	431	(90)
		<b>\$ (1,137,139)</b>	<b>\$ (404,376)</b>	<b>\$ (521,021)</b>	<b>\$ (131,968)</b>
<b>Basic and Diluted Loss per Share</b>		<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Shares Outstanding</b>		<b>37,668,521</b>	<b>13,251,884</b>	<b>63,823,229</b>	<b>13,563,375</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Equity attributable to shareholders										
	Shares	Share capital	Shares to be issued	Options	Warrants	Accumulated		Total Shareholders attributable to		Equity NCI	Total
						OCI	Deficit	Equity			
#	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>BALANCE AS AT 1 OCTOBER 2018</b>	12,804,116	18,359,117	-	628,500	1,446,671	-	(17,248,773)	3,185,515	(1,221,014)	1,964,501	
Shares issued for property	759,259	102,500	-	-	-	-	-	102,500	-	102,500	
Shares to be issued	-	-	53,000	-	-	-	-	53,000	-	53,000	
Other comprehensive income	-	-	-	-	-	37	-	37	-	37	
Net loss for the year	-	-	-	-	-	-	(636,408)	(636,408)	(150)	(636,558)	
<b>BALANCE AS AT 30 SEPTEMBER 2019</b>	13,563,375	18,461,617	53,000	628,500	1,446,671	37	(17,885,181)	2,704,644	(1,221,164)	1,483,480	
Units issued for private placement	<b>39,353,712</b>	<b>2,130,152</b>	<b>(53,000)</b>	-	<b>915,290</b>	-	-	<b>2,992,442</b>	-	<b>2,992,442</b>	
Units issued on Amalgamation (Note 5)	<b>14,184,560</b>	<b>704,793</b>	-	-	<b>429,972</b>	-	-	<b>1,134,765</b>	-	<b>1,134,765</b>	
Shares issued for property (Note 10b)	<b>5,000,000</b>	<b>400,000</b>	-	-	-	-	-	<b>400,000</b>	-	<b>400,000</b>	
Units issued for debt settlement	<b>3,684,384</b>	<b>279,001</b>	-	-	<b>51,794</b>	-	-	<b>330,795</b>	-	<b>330,795</b>	
Units issued for promissory note	<b>1,312,320</b>	<b>68,873</b>	-	-	<b>36,113</b>	-	-	<b>104,986</b>	-	<b>104,986</b>	
Share issuance cost	<b>353,550</b>	<b>(398,743)</b>	-	-	<b>147,611</b>	-	-	<b>(251,132)</b>	-	<b>(251,132)</b>	
Stock-based compensation	-	-	-	<b>271,000</b>	-	-	-	<b>271,000</b>	-	<b>271,000</b>	
Other comprehensive income	-	-	-	-	-	<b>47,897</b>	-	<b>47,897</b>	-	<b>47,897</b>	
Net loss for the period	-	-	-	-	-	-	<b>(1,133,965)</b>	<b>(1,133,965)</b>	<b>(3,174)</b>	<b>(1,137,139)</b>	
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>77,451,901</b>	<b>21,645,693</b>	-	<b>899,500</b>	<b>3,027,451</b>	<b>47,934</b>	<b>(19,019,146)</b>	<b>6,601,432</b>	<b>(1,224,338)</b>	<b>5,377,094</b>	



**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Month Ended 30 June 2020</b>	Nine Month Ended 30 June 2019	<b>Three Month Ended 30 June 2020</b>	Three Month Ended 30 June 2019
<b>OPERATING ACTIVITIES</b>				
<b>Loss for the Period</b>	<b>\$ (1,137,139)</b>	\$ (404,376)	<b>\$ (521,021)</b>	\$ (131,968)
<b>Items not Affecting Cash</b>				
Stock-based compensation	<b>271,000</b>	-	-	-
Amortization	<b>5,281</b>	-	<b>5,281</b>	-
Interest on short-term loan	<b>4,471</b>	-	<b>(586)</b>	(686)
Interest on promissory note	<b>262</b>	(10,035)	-	(10,400)
Loss on sale of marketable securities	-	57,628	-	-
	<b>(856,125)</b>	356,783	<b>(516,326)</b>	143,054
<b>Net Change in Non-cash Working Capital</b>				
Amounts receivable	<b>50,861</b>	1,805	<b>160</b>	(1,588)
Prepaid amounts and other assets	<b>(350,294)</b>	(20,355)	<b>(97,690)</b>	(931)
Accounts payable and accrued liabilities	<b>(116,398)</b>	174,106	<b>(59,803)</b>	74,659
	<b>(415,831)</b>	155,556	<b>(157,333)</b>	72,140
	<b>(1,271,956)</b>	(201,227)	<b>(673,659)</b>	(70,914)
<b>INVESTING ACTIVITIES</b>				
Equipment purchase	<b>(126,736)</b>	-	-	-
Amalgamation transaction costs	<b>(98,159)</b>	-	-	-
Cash acquired upon Amalgamation	<b>756</b>	-	-	-
Resource property – acquisition	<b>(31,000)</b>	-	<b>(31,000)</b>	-
Disposal of marketable securities	-	162,541	-	-
Resource property - expenditures	<b>(633,989)</b>	(67,042)	<b>(610,269)</b>	-
	<b>(889,128)</b>	95,499	<b>(641,269)</b>	-
<b>FINANCING ACTIVITIES</b>				
Proceeds on private placement	<b>3,095,297</b>	-	<b>1,094,218</b>	-
Share issuance cost	<b>(353,987)</b>	-	<b>(99,830)</b>	-
Proceeds from shares to be issued	-	52,383	-	52,383
Short term loan	<b>(154,750)</b>	51,774	<b>(11,000)</b>	1,774
	<b>2,586,560</b>	104,157	<b>983,388</b>	54,157
<b>Net effect of foreign currency translation</b>	<b>71,610</b>	-	<b>77,254</b>	-
<b>Net Increase (Decrease) in Cash</b>	<b>497,086</b>	(1,571)	<b>(254,286)</b>	(16,757)
Cash position – beginning of period	<b>784</b>	2,356	<b>752,156</b>	17,542
<b>Cash Position – End of Period</b>	<b>\$ 497,870</b>	\$ 785	<b>\$ 497,870</b>	\$ 785



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

	<b>Nine Month Ended 30 June 2020</b>	Nine Month Ended 30 June 2019	<b>Three Month Ended 30 June 2020</b>	Three Month Ended 30 June 2019
<b>Supplementary Disclosure of Cash Flow Info:</b>				
Units issued for Amalgamation (Note 5)	<b>1,134,765</b>	-	-	-
Shares issued for property acquisition (Note 10b)	<b>400,000</b>	102,500	<b>400,000</b>	-
Units issued for debt settlement	<b>330,795</b>	-	<b>330,795</b>	-
Warrants issued to agents	<b>147,611</b>	-	<b>16,611</b>	-
Shares issued for promissory note	<b>104,986</b>	-	-	-
Promissory note issued for property acquisition	-	102,500	-	-



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1) Nature of operations and going concern

Ares Strategic Mining Inc. (“Ares” or the “Company”), formerly Lithium Energy Products Inc., 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 changed its name to Ares Strategic Mining Inc. with the Ontario Registry effective 13 February 2020. The TSX Venture Exchange has approved the change of name to “Ares Strategic Mining Inc.” and the concurrent change of the Company’s stock symbol to “ARS”. The Company is classified as a Junior Natural Resource Mining Company.

The Company was in the business of acquiring and exploring lithium properties in Nevada and Arizona. There has been no determination whether properties held contain reserves, which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the properties, the ability to obtain the necessary financing to complete development, and future profitable production or proceeds from disposition.

On 18 February 2020, the Company completed a three-cornered amalgamation transaction (the “Amalgamation”) with American Strategic Minerals Inc. (“ASM”) (Note 5). As a result, Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

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

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

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 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.

<b>(Rounded 000's)</b>	<b>30 June 2020</b>	<b>30 September 2019</b>
Working capital (deficit)	\$ 504,709	\$ (767,000)
Accumulated deficit attributed to shareholders	\$(19,019,146)	\$(17,885,000)

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

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

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Financial Statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended 30 September 2019.

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

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

### **3) Summary of significant accounting policies**

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements except noted below. For a complete summary of significant accounting policies, please refer to the Company’s audited annual consolidated financial statements for the year ended 30 September 2019.

#### **Basis of presentation**

These Financial Statements incorporate the accounts of Ares and the entities controlled by the Company:

- Canadian Iron Metallics Inc. (“Canadian Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, owned 85% by Ares Strategic Mining Inc.
- 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 (“Amalco”), which was created for the purposes of the Amalgamation with American Strategic Minerals Inc. (“ASM”) on 18 February 2020, wholly owned by the Company.
- 101017 BC Inc. (“101017 BC Ltd”), which was incorporated on 11 October 2017 in Delaware, USA, wholly owned by 1200944 BC Ltd.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the

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

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.

### Accounting policy for Business Combination

On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3 Business Combinations. If the assets and liabilities assumed do not constitute a business the transaction would be accounted for as an asset acquisition. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders. When an acquisition does not represent a business as defined under IFRS 3, the Company accounts for this transaction as an asset acquisition.

The acquisition of ASM was recorded as an asset acquisition, whereby the consideration paid for the net assets acquired was allocated to the fair value of the identifiable assets acquired and liabilities assumed.

Acquisition-related transaction costs are capitalized to the property.

### **4) Critical accounting judgements and key sources of estimation uncertainty**

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

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

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

#### 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 June 2020.

#### Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed as part of the acquisition transaction.

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

### Exploration evaluation assets

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

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

### 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.

### Covid-19

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

## **5) Acquisition transaction**

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

The acquisition was structured as a three-cornered amalgamation. Pursuant to the terms of the Amalgamation Agreement, the Company acquired all of the issued and outstanding shares of ASM and where Ares issued an aggregate of 14,184,560 units to the former shareholders of ASM, each Unit consisting of one common share of Ares and one half of one warrant at an exercise price of \$0.16.

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

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

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

Cash	\$ 756
Accounts receivable and prepaids	92,220
Exploration and evaluation assets (Note 10)	1,459,064
Accounts payable and accrued liabilities	(296,746)
Revolving Loan	(22,370)
<b>Total net assets acquired</b>	<b>\$ 1,232,924</b>
<hr/>	
14,184,560 common shares issued (Note 13)	1,134,765
Transaction cost	98,159
<b>Total purchase consideration</b>	<b>\$ 1,232,924</b>

### 6) Financial instruments and risk management

#### a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 June 2020. 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, amounts receivable, accounts payable and accrued liabilities, and short-term loans. As at 30 June 2020, the carrying value of cash is at fair value. Amounts receivable, 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.

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

### d) Credit risk

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

### e) Interest rate risk

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

### f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk. As at 30 June 2020, the Company held currency totalling the following:

	30 June 2020	30 September 2019
<b>CURRENCY</b>		
Canadian (Dollars)	496,194	758
US (Dollars)	1,230	20

### g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 June 2020, the Company had a cash balance of \$497,870 to settle current liabilities of \$424,071 that are due within one year; accordingly, the Company is not exposed to significant liquidity risk.

## 7) Amounts receivable

Amounts receivable consists of:

	30 June 2020	30 September 2019
<b>AMOUNTS RECEIVABLE</b>		
Goods and services tax receivable	\$ 44,114	\$ 15,594
Due from ASM	-	21,707
	<b>\$ 44,114</b>	<b>\$ 37,301</b>

As at 30 June 2020, amounts receivable consists of goods and services tax receivable of \$44,114 and is not subject to significant collection risk.

As a result of the Amalgamation (Note 5), amounts due from ASM have been eliminated upon consolidation as at 30 June 2020.

## 8) Deposits

Deposits consist of:

	30 June 2020	30 September 2019
<b>DEPOSITS</b>		
Office Lease	\$ 2,912	\$ 2,912

As at 30 June 2020 and 30 September 2019, the balance in deposits of \$2,912 represents a deposit for office lease.

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

### 9) Property and equipment

PROPERTY AND EQUIPMENT	Field Equipment	Land	Total
<b>COST</b>			
Balance as at 1 October 2018	\$ -	\$ 75,000	\$ 75,000
Addition	-	-	-
<b>Balance as at 30 September 2019</b>	-	75,000	75,000
Addition	<b>126,736</b>	-	<b>126,736</b>
<b>Balance as at 30 June 2020</b>	<b>\$ 126,736</b>	<b>\$ 75,000</b>	<b>\$ 201,736</b>
<b>DEPRECIATION</b>			
Balance as at 1 October 2018	\$ -	-	\$ -
Depreciation for the year	-	-	-
<b>Balance as at 30 September 2019</b>	-	-	-
Depreciation for the period	<b>5,281</b>	-	<b>5,281</b>
<b>Balance as at 30 June 2020</b>	<b>\$ 5,281</b>	<b>\$ -</b>	<b>\$ 5,281</b>
<b>CARRYING AMOUNTS</b>			
Balance as at 1 October 2018	\$ -	\$ 75,000	\$ 75,000
<b>Balance as at 30 September 2019</b>	<b>\$ -</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>
<b>Balance as at 30 June 2020</b>	<b>\$ 121,455</b>	<b>\$ 75,000</b>	<b>\$ 196,455</b>

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

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

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

Land comprises five Canadian properties located in Ontario, Canada (Note 10f). 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 comprehensive loss.



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

**10) Exploration and evaluation assets**

The following table summarizes exploration and evaluation assets:

<b>EXPLORATION AND EVALUATION ASSETS</b>	<b>Lost Sheep</b>	<b>Liard Fluorspar</b>	<b>Vanadium Ridge</b>	<b>Jackpot Lake</b>	<b>Wilcox Playa</b>	<b>Ontario Properties</b>	<b>Total</b>
<b>Balance as at 1 October 2018</b>	\$ -	\$ -	\$ 312,000	\$ 954,958	\$ 643,892	\$ 4	\$ 1,910,854
Additions	-	-	-	257,824	4,000	-	261,824
<b>Balance as at 30 September 2019</b>	\$ -	\$ -	\$ 312,000	\$ 1,212,782	\$ 647,892	\$ 4	\$ 2,172,678
Acquisition	1,459,064	431,000	-	-	-	-	1,890,064
Drilling	431,963	-	-	-	-	-	431,963
Geological consulting	118,779	-	-	-	-	-	118,779
Other	19,683	1,332	-	-	2,008	-	23,023
Adjustments on currency translation	36,511	-	-	-	-	-	36,511
<b>Balance as at 30 June 2020</b>	<b>\$ 2,066,000</b>	<b>\$ 432,332</b>	<b>\$ 312,000</b>	<b>\$ 1,212,782</b>	<b>\$ 649,900</b>	<b>\$ 4</b>	<b>\$ 4,673,018</b>





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

### a) Lost Sheep

On 18 February 2020, the Company completed the acquisition of 100% of the Lost Sheep Fluorspar Mine from ASM (Note 5) through the Amalgamation.

The Company acquired 100% interest in U.S. federal mining claims in Juab County, Utah, and approximately 640 acres, known as the Lost Sheep Property. The Lost Sheep Property consists of several mineral claim blocks including the Lost Sheep Fluoride Mine, and other unpatented claims. The Lost Sheep Property is 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.

Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

### b) Liard Fluorspar

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

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

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

### c) Vanadium Ridge

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

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

### d) Jackpot Lake property

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

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

	Number of Shares	Fair Value of Shares	Cash
<b>Payment Due Date</b>			
26 July 2016	-	\$ -	\$ 70,000
12 August 2016	1,100,000	330,000	-
22 January 2017	-	-	50,000
26 July 2017	100,000	5,500	-
22 January 2018	100,000	5,500	-
26 July 2018	304,878	48,476	-
22 January 2019	759,259	102,500	-
11 July 2019 <sup>(i)</sup>	1,312,320	104,986	-
<b>Total</b>	<b>3,676,457</b>	<b>\$ 569,962</b>	<b>\$ 120,000</b>

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

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

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

During the year ended 30 September 2017, the Company did not make scheduled payments and recorded an impairment of \$811,688 for the acquisition and exploration expenditures related to the asset, thereby reducing the value to \$1 to reflect the rights to the mineral claims. During the year ended 30 September 2018, the Company paid the outstanding payments through issuance of the Company's common shares and accordingly reversed a portion of the prior year's impairment losses of \$637,397.

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

Per settlement agreement dated 1 February 2020, the promissory note of \$102,500 and associated interest of \$2,486 totalling \$104,986 was settled through the issuance of 1,312,320 shares of the Company.

### e) Willcox Playa property

During the year ended 30 September 2016, the Company entered into an agreement to acquire three permits for a large dry lakebed in south-eastern Arizona consisting of 1,434 acres in the Willcox Playa Basin.

During the year ended 30 September 2018, the Company made the outstanding payments through issuance of the Company's common shares, and acquired a 100% interest in the Willcox Playa. The vendor retains a Gross Overriding Royalty ("GOR") of 1%. The GOR of 1% is subject to a buyback provision whereby the Company may acquire, at any time, one-half of the GOR (0.5%) for \$1,000,000.

Due to state laws in Arizona, the Company is unable to hold the permits as a foreign entity. As a result, the permits are being held by a third party on behalf of the Company (the "Title Holder"). As compensation, the Company has

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

granted to the Title Holder a Net Smelter Returns Royalty ("NSRR") equal to 1%, subject to a buy back provision whereby the Company may acquire, at any time, one-half of the NSRR (0.5%) for \$1,000,000.

### f) Ontario properties

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

### 11) Promissory note payable

As a part of the final settlement to acquire 100% of the Jackpot Lake property, the Company entered into an unsecured demand promissory note in the amount of \$102,500, bearing interest at 3% per annum (Note 10d). The promissory note was due on 10 July 2019 and was settled during the nine months ended 30 June 2020 through the issuance of 1,312,320 shares of the Company.

The following is a summary of the Company's promissory note payable as at 30 June 2020:

<b>PROMISSORY NOTE PAYABLE</b>	<b>30 June 2020</b>	30 September 2019
Principal	\$ -	\$ 102,500
Interest	-	2,224
<b>Total</b>	<b>\$ -</b>	<b>\$ 104,724</b>

### 12) Short-term loans

The following is a summary of the Company's short-term loans as at 30 June 2020 and 30 September 2019:

<b>SHORT-TERM LOAN</b>	<b>Period</b>	<b>Outstanding Principal</b>	<b>Interest and Financing Fees</b>	<b>Total</b>
\$11,000 loan from the former CEO of ASM, director	<b>2020</b>	-	<b>1,155</b>	<b>1,155</b>
	2019	11,000	113	11,113
Operational loans from related parties	<b>2020</b>	-	-	-
	2019	62,027	21,569	83,596
Operational loans from ASM, former related party	<b>2020</b>	-	-	-
	2019	50,000	3,809	5,3809
\$784,953 (US\$585,000) loan from an unrelated party	<b>2020</b>	-	-	-
	2019	-	25,910	25,910
Loan from Clearwater	<b>2020</b>	<b>22,994</b>	\$ -	<b>22,994</b>
	2019	-	-	-
<b>Total as at 30 June 2020</b>	<b>2020</b>	<b>\$ 22,994</b>	<b>\$ 1,155</b>	<b>\$ 24,149</b>
Total as at 30 September 2019	2019	123,027	\$ 51,401	\$ 174,428

On 30 August 2019, the Company received an interest-bearing loan of \$11,000 from the former CEO of ASM. The loan is secured by the assets of the Company, bears interest at one percent per month compounded and is payable in full

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

on 30 September 2020. As at 30 June 2020, the principal of \$11,000 short-term loan has been repaid, but the associated interest of \$1,155 (2019YE - \$113) owing to the former CEO of ASM remained unpaid.

The Company received various unsecured interest-bearing loans for operations from related parties. During the period ended 30 June 2020, principal in the amount of \$62,027 and interest in the amount of \$21,569 have been repaid.

During the year ended 30 September 2019, the Company received an interest-bearing loans from ASM, related party prior to the Amalgamation (Note 5). As at 30 June 2020, the intercompany balances have been eliminated upon consolidation after completion of the Amalgamation (Note 5).

On 6 May 2019, the Company received an unsecured, non-interest-bearing loan of \$784,953 (USD\$585,000) from an unrelated party. The loan was due and payable 60 days after the date on which the deposit was made. The repayment consisted of the principal payment of USD\$585,000, and associated financing fees of USD\$20,000 in cash and 250,000 in common shares of the Company. As at 31 December 2019, the principal of USD\$585,000 has been paid back in full. The associated financing fees of \$25,976 (USD\$20,000) in cash was paid during the period ended 30 June 2020, and the 250,000 in common shares has been issued as at 30 June 2020.

Ares acquired a revolving loan payable of \$22,994 from ASM on 18 February 2020 through the Amalgamation (Note 5). Clearwater provided the Company with a revolving credit facility of up to a maximum of US\$50,000. The revolving credit facility is unsecured and non-interest bearing. In return for this credit facility, Ares is to pay to Clearwater a financing charge of 20%, net of royalties, of all sales from the ore production of the Lost Sheep project as long as the credit facility is being used. As at 30 June 2020, the revolving loan owing to Clearwater remained unpaid.

### 13) Share capital

#### a) Authorized:

Unlimited common shares without par value.

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

During the nine months ended 30 June 2020:

	Number of Shares	Amount
<b>Balance as at 1 October 2019</b>	13,563,375	\$ 18,461,617
Units issued for private placement	<b>39,353,712</b>	<b>2,130,152</b>
Units issued upon the Amalgamation (Note 5)	<b>14,184,560</b>	<b>704,793</b>
Shares issued for property (Note 10b)	<b>5,000,000</b>	<b>400,000</b>
Units issued for debt settlement	<b>3,684,384</b>	<b>279,001</b>
Units issued for promissory note (Note 10d)	<b>1,312,320</b>	<b>68,873</b>
Share issuance cost	<b>353,550</b>	<b>(398,743)</b>
<b>Balance as 30 April 2020</b>	<b>77,451,901</b>	<b>\$ 21,645,693</b>

Private placement:

- In June 2020, Ares completed a non-brokered private placement of 14,177,725 Units at a price of \$0.08 per Unit for gross proceeds of approximately \$1,184,218. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant will be exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.



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

- On 20 February 2020, the Company received additional gross proceeds of \$40,000 as part of the non-brokered private placement through the issuance of 500,000 Financing Units, each Unit consisting of one common share of Ares and one half of one warrant at an exercise price of \$0.15 for a period of 24 months.
- On 14 February 2020, the Company closed its \$1,800,000 Financing, issuing 22,175,987 shares and 11,087,993 warrants, at a price of \$0.08 per unit. Each warrant exercisable for a two-year period from the date of closing at an exercise price of \$0.15.
- On 3 January 2020, the Company successfully arranged a bridge financing, representing the funds required to satisfy the closing of transaction with ASM. The bridge financing consists of the issuance of 2,500,000 common shares of the Company at a price of \$0.08 per common share with 1,250,000 warrants attached with an exercise price of \$0.15, valid for two years from the closing of the financing.

### Debt settlement:

- In April 2020, 1,802,230 common shares were issued for settlement of debt. Out of the common shares issued, 150,000 common shares were issued for settlement of financing fees related to an unsecured, non-interest-bearing loan of \$400,000 from the former Director of the Company and 1,384,730 common shares were issued to the former CEO of ASM and former Director of the Company.
- On 14 February 2020, the Company settled an aggregate of \$150,572 of bona fide debt owed by Ares to certain creditors through the issuance of an aggregate of 1,882,154 shares to certain of the eligible creditors (the "Debt Settlement") at an exercise price of \$0.15. Out of the common shares issued, 466,250 common shares were issued to related parties or former related parties.

### Share issuance cost:

- 353,550 common shares and 176,755 warrants were issued in consideration for services from the financial advisor to the Company, the Company has agreed to pay a finder's fee equal to 7% of the gross proceeds of the Offering and issue finder's warrants equal to 7% of the number of Units issued under the Offering. Each finder's warrant will entitle the holder thereof to purchase one Unit at a price of \$0.08 per Unit for a period of 24 months from the closing of the Offering.

### During the year ended 30 September 2019:

The Company issued 759,259 common shares in lieu of a payment of \$102,500 as partial consideration to acquire 100% of the Jackpot Lake property (Note 10d).

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

### c) Summary of stock option activity

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

Stock option activity during the nine months ended 30 June 2020 and the year ended 30 September 2019 are as follows:

STOCK OPTION ACTIVITY	30 June	Weighted	30 September	Weighted
	2020	Average Exercise Price	2019	Average Exercise Price
<b>Balance – Beginning of Period/Year</b>	<b>160,000</b>	<b>\$ 1.28</b>	<b>271,250</b>	<b>\$ 1.55</b>
Issued	2,800,000	0.10	-	-
Expired	(10,000)	-	(111,250)	1.93
<b>Balance – End of Period/Year</b>	<b>2,950,000</b>	<b>\$ 0.70</b>	<b>160,000</b>	<b>\$ 1.28</b>

Details of stock options outstanding as at 30 June 2020 and 30 September 2019 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 June 2020	30 September 2019
10 April 2015	10 April 2020	\$ 1.00	-	10,000
25 January 2017	24 January 2022	\$ 1.30	150,000	150,000
9 March 2020	8 March 2022	\$ 0.10	2,800,000	-
			<b>2,950,000</b>	<b>160,000</b>

As at 30 June 2020, the outstanding options have a weighted average remaining life of 1.68 years (2019 - 2.21 years) and a weighted average exercise price of \$0.16 (2019 - \$1.28). All of the outstanding options have vested and are exercisable.

#### During the nine months ended 30 June 2020:

On 10 April 2020, 10,000 options expired unexercised.

In March 2020, the Company granted 2,800,000 incentive stock options to its chief executive officer at an exercise price of \$0.10 per common share for a period of 24 months from the date of issuance. The strike price of the stock options was determined in accordance with the current stock option plan and the rules as defined by the TSX Venture Exchange.

Not included in the mentioned stock options are the compensation options resulting from the 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. The 6,400 compensation options granted to finders that have been valued by reference to the fair value of the equity instruments granted. Therefore, as each Unit in the private placement was valued at \$1.00, the value of compensation options has been estimated at \$6,400.

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

As a result of the Company's 20-for-1 share consolidation, the numbers of options outstanding were adjusted, in accordance with existing provisions of the plans for these awards, such that the holders of these awards would be in the same economic position before and after effecting the share consolidation. Consequently, these adjustments did not result in a new measurement date for these awards.

All prior period numbers of options, compensation options, restricted share units, performance share units and deferred share units as well as exercise prices and fair values per individual award have been retroactively adjusted to reflect the share consolidation.

### d) Warrants

Warrant activity during the nine months ended 30 June 2020 and the year ended 30 September 2019 are as follows:

WARRANT ACTIVITY	30 June	Weighted	30 September	Weighted
	2020	Average Exercise Price	2019	Average Exercise Price
<b>Balance – Beginning of Year</b>	<b>1,500,000</b>	<b>\$ 2.00</b>	1,500,000	\$ 2.00
Issued	30,129,935	0.15	-	-
Expired	(1,500,000)	2.00	-	-
<b>Balance – End of Period</b>	<b>30,129,935</b>	<b>\$ 0.15</b>	1,500,000	\$ 2.00

During the nine months ended 30 June 2020:

During the nine months ended 30 June 2020, 1,500,000 warrants expired unexercised.

Details of warrants outstanding as at 30 June 2020 and 30 September 2019 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 June 2020	30 September 2019
12 October 2016	12 October 2019	\$ 2.00	-	155,000
2 November 2016	2 November 2019	\$ 2.00	-	1,345,000
3 January 2020	3 January 2022	\$ 0.15	1,250,000	-
13 February 2020	13 February 2022	\$ 0.15	11,087,993	-
13 February 2020	13 February 2022	\$ 0.15	1,370,165	-
13 February 2020	13 February 2022	\$ 0.15	250,000	-
14 February 2020	14 February 2022	\$ 0.15	1,394,737	-
18 February 2020	18 February 2022	\$ 0.16	7,092,277	-
15 June 2020	15 June 2022	\$ 0.15	176,775	-
15 June 2020	15 June 2022	\$ 0.15	419,125	-
15 June 2020	15 June 2022	\$ 0.15	7,088,863	-
			<b>30,129,935</b>	1,500,000

As at 30 June 2020, the outstanding warrants have a weighted average remaining life of 1.96 years and a weighted average exercise price of \$0.15 (2019YE - \$2.00).

The fair value of the warrants recognized in the accounts has been estimated using the Black-Scholes Model assuming no expected dividends, volatility of 302%, expected life of 2 years, and a risk-free rate of 0.66%. 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### e) Share-based payments

On 9 March 2020, the board of directors have approved the granting of 2,800,000 incentive stock options to its chief executive officer at an exercise price of \$0.10 per common share for a period of 24 months from the date of issuance.

On the date of grant, these options were fair valued at \$271,000 using the Black-Scholes option-pricing model assuming volatility of 3027%, expected life of 2 years, risk-free rate of 0.66%, and no expected dividends or forfeitures. Option 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.

### 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.

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 June 2020, OMC has not entered into any option agreements related to the Company's other mineral properties. Should OMC fund the full \$8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papagonga properties. This may be increased to 90%, if within a five-year period after earning 80%, OMC funds an additional \$1.5 million in expenditures on the property chosen.

The value attributed to the non-controlling interest in the Company as at 30 June 2020 is an accumulated deficit of \$1,224,338 (2019YE - \$1,221,164). For the nine months ended 30 June 2020, net loss and comprehensive loss of \$3,174 (2019Q2 - \$291) has been attributed to the non-controlling interest in these Financial Statements.



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

### 14) 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					Amounts Payable and Accrued Liabilities
Name and Principal Position	Period <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>	Share-based payments		
CEO and Director – Management fees	<b>2020</b>	\$ 88,828	\$ 127,000	\$ 75,278	
	2019	\$ 72,000	\$ -	\$ 88,100	
CFO – Management fees	<b>2020</b>	\$ 36,000	\$ -	\$ -	
	2019	\$ 21,419	\$ -	\$ 17,588	
CFO – Professional fees	<b>2020</b>	\$ 17,174	\$ -	\$ 2,834	
	2019	\$ 6,750	\$ -	\$ -	
Directors – Director fees	<b>2020</b>	\$ 11,500	\$ -	\$ 12,038	
	2019	\$ 2,250	\$ -	\$ -	
Director – Consulting fees	<b>2020</b>	\$ 30,000	\$ -	\$ 30,000	
	2019	\$ -	\$ -	\$ -	
Former Director – Consulting fees	<b>2020</b>	\$ 30,000	\$ -	\$ 5,250	
	2019	\$ -	\$ -	\$ -	
Former Directors – Director fees	<b>2020</b>	\$ -	\$ -	\$ -	
	2019	\$ 1,250	\$ -	\$ 3,750	
<b>Total</b>	<b>2020</b>	<b>\$ 213,502</b>	<b>\$ 127,000</b>	<b>\$ 125,400</b>	
	2019	\$ 103,669	\$ -	\$ 109,438	

(i) For the nine months ended 30 June 2020 and 2019.

(ii) Amounts disclosed were paid or accrued to the related party.

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

Short-term loans with related parties are described in Note 12 and debt settlement with related parties is described in Note 13.

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

### 15) 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 June 2020</b>			
Current Assets	\$ 891,010	\$ 37,770	\$ 928,780
<b>Non-Current Assets</b>			
Other non-current assets	199,367	-	199,367
Resource properties	2,323,259	2,349,759	4,673,018
<b>Liabilities</b>			
Current Liabilities	671,000	9,046	424,071
<b>30 September 2019</b>			
Current Assets	\$ 40,000	\$ -	\$ 40,000
<b>Non-Current Assets</b>			
Other non-current assets	78,000	-	78,000
Resource properties	312,000	1,861,000	2,173,000
<b>Liabilities</b>			
Current Liabilities	807,000	-	807,000

### 16) Capital management

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

### 17) Commitment

The Company entered into an agreement to extend the lease of the premises for an extension of two years commencing 1 July 2018 and expiring 30 June 2020. The Company's remaining annual minimum lease payments as at 30 June 2020 are shown below:

Fiscal 2020	\$ 4,778
Fiscal 2021	14,334
<b>Total</b>	<b>\$ 19,112</b>



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

### **18) Subsequent events**

On 22 June 2020, Ares announces it has signed an agreement with Zimtu Capital Corp. (TSXV: ZC; FSE: ZCT1) ("Zimtu") whereas Zimtu shall provide Ares services under the Zimtu ADVANTAGE program. Zimtu ADVANTAGE is a program designed to provide opportunities, guidance, cost savings and assistance to clients covering multiple aspects of being a public company. The services may include building financial networks, building business networks, shared costs with other public companies, building a social media presence, conference opportunities, media outlets and guidance, and special group pricing provided by Zimtu's network of public company professionals. The program provides the flexibility to allow companies to customize the products and services to best support their needs. Under the terms of the agreement, Zimtu shall receive \$8,333 per month, for a period of twelve months, with the entire 12 months payable at the beginning of the contract.

On 15 July 2020, the Company completed the final 625,000 units of a non-brokered private placement of at a price of \$0.08 per Unit for gross proceeds of approximately \$50,000. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each Warrant will be exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months from the completion of the Offering.

On 20 August 2020, the Company has settled debt of \$14,100 through the issuance of 141,000 shares, at the trading price of \$0.10 per share.