2020

Ares Strategic Mining Inc.

(formerly Lithium Energy Products Inc.)

Consolidated Financial Statements

For the Years Ended 30 September 2020 and 2019

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 financial statements.

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

We draw attention to Note 1 in the 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.

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 Board of Directors, Audit Committee, and management to discuss their audit findings.

"James Walker"

James Walker, CEO

"Viktoriya Griffin"

Viktoriya Griffin, CFO

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INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, and the consolidated statements of 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, 2020 and 2019, 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 that may cast significant doubt about 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 Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 19, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30 September 2020	As at 30 September 2019
ASSETS			
Current Assets			
Cash		$ **219,770**	$ 784
Amounts receivable	(9)	**12,831**	37,301
Prepaid amounts and other assets		**309,585**	1,956
		542,186	40,041
Non-current Assets			
Deposits	(10)	**72,181**	2,912
Property and equipment	(11)	**190,119**	75,000
Exploration and evaluation assets	(12)	**4,444,014**	2,172,678
		4,706,314	2,250,590
		$ **5,248,500**	$ 2,290,631
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(16)	$ **617,699**	$ 527,999
Promissory note payable	(13)	**-**	104,724
Short-term loans	(14)	**63,355**	174,428
		681,054	807,151
EQUITY			
Equity Attributable to Shareholders			
Share capital	(15)	**22,467,660**	18,461,617
Shares to be issued	(15)	**-**	53,000
Options - Contributed surplus	(15)	**1,152,500**	628,500
Warrants - Contributed surplus	(15)	**2,269,584**	1,446,671
Accumulated other comprehensive income ("OCI")		**10,393**	37
Deficit		**(20,108,460)**	(17,885,181)
		5,791,677	2,704,644
Non-controlling interests	(15)	**(1,224,231)**	(1,221,164)
Total Equity		**4,567,446**	1,483,480
		$ **5,248,500**	$ 2,290,631

Nature of operations and going concern	(1)	Capital management	(18)
Basis of preparation – Statement of Compliance	(2)	Commitment	(19)
Related party transactions and obligations	(16)	Subsequent events	(21)

The Consolidated Financial Statements were approved by the Board of Directors on 19 January 2021 and were signed on its behalf by:

"Paul Sarjeant" — Paul Sarjeant, Director

"Karl Marek" — Karl Marek, Director

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year Ended 30 September 2020	Year Ended 30 September 2019
General and Administrative			
Stock-based compensation	(15)	$ 524,000	$ -
Office and marketing		424,473	15,691
Management fees	(16)	269,828	147,169
Professional fees		193,154	260,772
Transfer agent and filing fees		80,385	24,963
Depreciation		11,617	-
Insurance		11,393	7,295
Travel		10,466	4,051
Shareholder relations		9,924	7,214
Bank charges and interest expense		9,170	105,561
Resource property expenses		8,978	5,755
		(1,553,388)	(578,471)
Other Expenses			
Impairment of exploration and evaluation assets	(12)	(649,900)	-
Loss on sale on marketable securities		-	(57,628)
Foreign exchange loss		(23,058)	(459)
Net Loss for the Year		$ (2,226,346)	$ (636,558)
Other Comprehensive Income			
Foreign operations – foreign exchange		10,356	37
Comprehensive Loss for the Year		$ (2,215,990)	$ (636,521)
Net Loss Attributed to:			
Shareholders		(2,223,279)	(636,408)
Non-controlling interest		(3,067)	(150)
		$ (2,226,346)	$ (636,558)
Comprehensive Loss Attributed to:			
Shareholders		(2,212,923)	(636,371)
Non-controlling interest		(3,067)	(150)
		$ (2,215,990)	$ (636,521)
Basic and Diluted Loss per Share		$ (0.05)	$ (0.05)
Weighted Average Shares Outstanding		47,817,706	13,330,397

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders									
	Shares	Share capital	Shares to be issued	Options	Warrants	Accumulated OCI	Deficit	Total Shareholders Equity	Equity attributable to NCI	Total
	#	$	$	$	$	$	$	$	$	$
BALANCE AS AT 1 OCTOBER 2018	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)
BALANCE AS AT 30 SEPTEMBER 2019	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	**39,978,712**	**2,667,959**	**(13,000)**	**-**	**530,338**	**-**	**-**	**3,185,297**	**-**	**3,185,297**
Units issued on Amalgamation (Note 7)	**14,184,560**	**995,306**	**-**	**-**	**139,459**	**-**	**-**	**1,134,765**	**-**	**1,134,765**
Shares issued for property (Note 12)b)	**5,000,000**	**400,000**	**-**	**-**	**-**	**-**	**-**	**400,000**	**-**	**400,000**
Units issued for debt settlement	**3,825,384**	**323,122**	**(40,000)**	**-**	**21,773**	**-**	**-**	**304,895**	**-**	**304,895**
Units issued for promissory note	**1,312,320**	**85,643**	**-**	**-**	**19,343**	**-**	**-**	**104,986**	**-**	**104,986**
Share issuance cost	**353,550**	**(465,987)**	**-**	**-**	**112,000**	**-**	**-**	**(353,987)**	**-**	**(353,987)**
Stock-based compensation	**-**	**-**	**-**	**524,000**	**-**	**-**	**-**	**524,000**	**-**	**524,000**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**10,356**	**-**	**10,356**	**-**	**10,356**
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,223,279)**	**(2,223,279)**	**(3,067)**	**(2,226,346)**
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**

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

ARES
STRATEGIC MINING

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	**Year Ended 30 September 2020**	Year Ended 30 September 2019
OPERATING ACTIVITIES			
Loss for the Year		**$ (2,226,346)**	$ (636,558)
Items not Affecting Cash			
Impairment of exploration and evaluation assets	(12)	**649,900**	-
Stock-based compensation	(15)	**524,000**	-
Depreciation	(12)	**11,617**	-
Interest on short-term loan		**2,829**	51,401
Shares to be issued for financing fees		**-**	40,000
Interest on promissory note		**-**	2,224
Loss on sale of marketable securities		**-**	57,628
		(1,038,000)	(485,305)
Net Change in Non-cash Working Capital			
Accounts payable and accrued liabilities		**(52,447)**	254,599
Amounts receivable		**82,144**	(22,976)
Prepaid amounts and other assets		**(342,352)**	10,329
		(1,350,655)	(243,353)
INVESTING ACTIVITIES			
Resource property - expenditures		**(993,475)**	(56,824)
Equipment purchases	(11)	**(126,736)**	-
Amalgamation transaction costs	(7)	**(98,159)**	-
Resource property – acquisition	(12)	**(31,000)**	-
Cash acquired upon Amalgamation	(7)	**756**	-
Proceeds on sale of marketable securities		**-**	162,541
		(1,248,614)	105,717
FINANCING ACTIVITIES			
Proceeds on private placement		**3,185,297**	-
Short term loan received	(14)	**40,000**	1,318,480
Short term loans paid		**(25,976)**	(1,195,453)
Share issuance costs		**(353,987)**	-
Proceeds from shares to be issued		**-**	13,000
		2,845,334	136,027
Net effect of foreign currency translation		**(27,079)**	37
Net Increase (Decrease) in Cash		**218,986**	(1,572)
Cash position – beginning of year		**784**	2,356
Cash Position – End of Year		**$ 219,770**	$ 784

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

		Year Ended 30 September 2020		Year Ended 30 September 2019
Supplementary Disclosure of Cash Flow Information:				
Units issued for Amalgamation (Note 7)	**$**	**1,134,765**	$	-
Shares issued for property acquisition (Note 12)b)		**400,000**		-
Units issued for debt settlement		**344,895**		-
Warrants issued to agents		**112,000**		-
Shares issued for promissory note		**104,986**		102,500
Interest paid		**53,625**		-
Income taxes paid		**-**		-

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

NOTES TO THE 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. On 18 February 2020, the Company completed a three-cornered amalgamation transaction (the "Amalgamation") with American Strategic Minerals Inc. ("ASM") (Note 7). 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

(Rounded 000's)		**30 September 2020**		30 September 2019
Working capital deficit	**$**	**139,000**	$	767,000
Accumulated deficit attributed to shareholders	**$**	**20,108,000**	$	17,885,000

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"). 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.

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 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 Financial Statements incorporate the accounts of Lithium 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.

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 Financial Statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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.

b) Foreign currency

These 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 parent and its Canadian subsidiaries is the Canadian dollar. The functional currency of 101017 BC Inc. 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) Measurement uncertainty

The preparation of these Financial Statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the valuation of exploration and evaluation assets, and the deferred tax asset not recognized.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

d) Cash

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

e) Marketable securities

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

f) 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.

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.

<u>Subsequent costs</u>

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.

<u>Impairment</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

g) 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. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 as a result 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.

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, taking into account 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest.

iii) 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, which has been classified at FVPL, and amounts receivable, which have been classified as financial assets at amortized cost and are measured at cost using the effective interest method.

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, promissory note payable and short-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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.

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 period 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 similar to 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.

o) 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 Comprehensive Loss and the Consolidated Statements of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

4) New accounting standards

a) IFRS 16, Leases

On 1 October 2019, the Company adopted the new accounting standard, IFRS 16, Leases, which replaces the guidance in IAS 17, Leases and related interpretations. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model, with limited exceptions for short-term leases or leases of low-value assets. The Company has elected not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with short-term leases are recognized as expenses on a straight-line basis over the lease term. The adoption of IFRS 16 had no impact on the Company's consolidated financial statements as all leases are short-term leases.

5) New accounting standards not yet effective

The following accounting standards have been issued by the IASB but are not yet effective for the Company; both the effective date and the expected impact are noted, based on the information currently available.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non - current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

IFRS 3 – Business Combinations was amended to assist entities in determining whether an acquired set of activities and assets are considered a business. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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.

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 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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.

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.

7) Acquisition transaction ("Amalgamation")

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

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

The Company has determined that ASM did not meet the definition of a business under IFRS 3, Business Combinations, and as such has been accounted for as an asset acquisition. The cost of an acquisition should be based

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

on the fair value of items received, except where the fair value of the items received is not clearly evident. In such a case, the fair value of the consideration given is used.

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

Cash	$	756
Amounts receivable and prepaid expenses		92,220
Exploration and evaluation assets (Note 12)		1,459,064
Accounts payable and accrued liabilities		(296,746)
Revolving Loan		(22,370)
Total net assets acquired	**$**	**1,232,924**
14,184,560 units issued		1,134,765
600,000 stock options issued		-
Transaction costs		98,159
Total purchase consideration	**$**	**1,232,924**

8) 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 2020. There have been no changes in levels during the year.

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, accounts payable and short-term loans. As at 30 September 2020, the carrying value of cash is at fair value. Accounts payable and short-term loans approximate their fair value due to their short-term nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 2020, the Company held currency totalling the following:

CURRENCY		**30 September 2020**		30 September 2019
Canadian (Dollars)	**$**	**218,114**	$	758
US (Dollars)	**$**	**1,242**	$	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 September 2020, the Company had a cash balance of $219,770 to settle current liabilities of $681,054 that are due within one year.

9) Amounts receivable

Amounts receivable consists of:

AMOUNTS RECEIVABLE		**30 September 2020**		30 September 2019
Goods and services tax receivable	**$**	**12,831**	$	15,594
Due from ASM		**-**		21,707
	$	**12,831**	$	37,301

As at 30 September 2020, amounts receivable consists only of goods and services tax receivable of $12,831 and is not subject to significant collection risk.

As a result of the Amalgamation (Note 7), amounts due from ASM have been eliminated upon consolidation as at 30 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

10) Deposits

Deposits consist of:

DEPOSITS		30 September 2020		30 September 2019
Office Lease	**$**	**2,912**	$	2,912
Surety deposits		**69,269**		-
	$	**72,181**	$	2,912

As at 30 September 2020, the balance in deposits of $2,912 (2019 - $2,912) represents a deposit for office lease and reclamation surety and bond in the amount of $69,269 (2019 - $Nil) paid to the State of Utah for a five-year escalation at Lost Sheep.

11) Property and equipment

PROPERTY AND EQUIPMENT		Field Equipment		Land		Total
COST						
Balance as at 1 October 2018	$	-	$	75,000	$	75,000
Addition		-		-		-
Balance as at 30 September 2019		-		75,000		75,000
Addition		**126,736**		**-**		**126,736**
Balance as at 30 September 2020	**$**	**126,736**	**$**	**75,000**	**$**	**201,736**
DEPRECIATION						
Balance as at 1 October 2018	$	-		-	$	-
Depreciation for the year		-		-		-
Balance as at 30 September 2019		-		-		-
Depreciation for the year		**11,617**		**-**		**11,617**
Balance as at 30 September 2020	**$**	**11,617**	**$**	**-**	**$**	**11,617**
CARRYING AMOUNTS						
Balance as at 1 October 2018	$	-	$	75,000	$	75,000
Balance as at 30 September 2019	**$**	**-**	**$**	**75,000**	**$**	**75,000**
Balance as at 30 September 2020	**$**	**115,119**	**$**	**75,000**	**$**	**190,119**

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 consolidated statements of comprehensive loss using the straight-line method over the estimated useful life of the asset.

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

Land comprises five Canadian properties located in Ontario, Canada (Note 12)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 comprehensive loss.

12) Exploration and evaluation assets

The following table summarizes exploration and evaluation assets:

EXPLORATION AND EVALUATION ASSETS	Lost Sheep	Liard Fluorspar	Vanadium Ridge	Jackpot Lake	Wilcox Playa	Ontario Properties	Total
Balance as at 1 October 2018	$ -	$ -	$ 312,000	$ 954,958	$ 643,892	$ 4	$ 1,910,854
Additions	-	-	-	257,824	4,000	-	261,824
Balance as at 30 September 2019	$ -	$ -	$ 312,000	$ 1,212,782	$ 647,892	$ 4	$ 2,172,678
Acquisition	**-**	**431,000**	**-**	**-**	**-**	**-**	**431,000**
Acquired upon Amalgamation	**1,459,064**	**-**	**-**	**-**	**-**	**-**	**1,459,064**
Drilling	**696,806**	**-**	**-**	**-**	**-**	**-**	**696,806**
Geological consulting	**260,452**	**-**	**-**	**-**	**-**	**-**	**260,452**
Other	**32,876**	**1,332**	**-**	**-**	**2,008**	**-**	**36,216**
Adjustments on currency translation	**37,698**	**-**	**-**	**-**	**-**	**-**	**37,698**
Impairment	**-**	**-**	**-**	**-**	**(649,900)**	**-**	**(649,900)**
Balance as at 30 September 2020	**$ 2,486,896**	**$ 432,332**	**$ 312,000**	**$ 1,212,782**	**$ -**	**$ 4**	**$ 4,444,014**

NOTES TO THE 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 7) through the Amalgamation.

The Company acquired 100% interest in U.S. federal mining claims in Juab County, Utah, comprising approximately 1,447 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.

b) Liard Fluorspar

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

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

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

c) Vanadium Ridge

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

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

d) Jackpot Lake property

During the year ended 30 September 2016, the Company acquired 140 mineral claims comprising of 2,800 acres in Clark County, Nevada. The contiguous Jackpot Lake claim group is located 39 miles NE of Las Vegas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

In consideration, the Company issued common shares and made cash payments as follows:

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

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

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

The Company has to file all forms and pay all fees to keep the claims in good standing, including County Fees and 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.

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

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

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 property. 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 was 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

During the year ended 30 September 2020, the Company did not renew the permits required to continue exploring the Wilcox Playa property and as a result the Company recorded an impairment of $649,900.

f) Ontario properties

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

13) Promissory note payable

In order 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 12)d). The promissory note was due on 10 July 2019 and was settled during the year ended 30 September 2020 through the issuance of 1,312,320 shares of the Company. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

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

PROMISSORY NOTE PAYABLE	**30 September 2020**	30 September 2019
Principal	**$ -**	$ 102,500
Interest	**-**	2,224
Total	**$ -**	$ 104,724

14) Short-term loans

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

SHORT-TERM LOANS	Year	Outstanding Principal	Interest and Financing Fees	Total
$11,000 loan from the former CEO of ASM, director	**2020**	**$ -**	**$ 848**	**$ 848**
	2019	11,000	113	11,113
Operational loans from related parties	**2020**	-	-	-
	2019	62,027	21,569	83,596
Operational loans from ASM, former related party	**2020**	-	-	-
	2019	50,000	3,809	53,809
$784,953 (US$585,000) loan from an unrelated party	**2020**	-	-	-
	2019	-	25,910	25,910
Loan from Clearwater	**2020**	22,507	-	22,507
	2019	-	-	-
Canada Emergency Business Account loan	**2020**	40,000	-	40,000
	2019	-	-	-
Total as at 30 September 2020	**2020**	**$ 62,507**	**$ 848**	**$ 63,355**
Total as at 30 September 2019	2019	123,027	51,401	174,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

On 30 August 2019, the Company received an interest-bearing loan of $11,000 from the former CEO of ASM. The loan was secured by the assets of the Company, subject to interest at one percent per month compounded and was payable in full on 30 September 2020. As at 30 September 2020, the principal of $11,000 had been repaid through the issuance of the Company's common shares (Note 15)b).

As at 30 September 2019, the Company had $83,956 in outstanding principal and interested related to various unsecured interest-bearing loans for operations from related parties. During the year ended 30 September 2020, principal in the amount of $62,027 and interest in the amount of $21,569 have been repaid through the issuance of the Company's common shares (Note 15)b).

During the year ended 30 S eptember 2019, the Company received an interest-bearing loans from ASM, related party prior to the Amalgamation (Note 7). As at 30 September 2020, the intercompany balances have been eliminated upon consolidation after completion of the Amalgamation (Note 7).

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 loan was received. 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 30 September 2019, the principal of USD$585,000 had been paid back in full. The associated financing fees of $25,976 (USD$20,000) in cash was paid during the year ended 30 September 2020, and the 250,000 in common shares has been issued as at 30 September 2020.

Ares assumed a revolving loan payable of $22,370 (US$16,873) from ASM on 18 February 2020 through the Amalgamation (Note 7). 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 September 2020, the revolving loan in the amount of $22,507 (US$16,873) owing to Clearwater remained unpaid.

During the year ended 30 September 2020, the Company received a Canada Emergency Business Account loan of $40,000 from the Government of Canada. The amount is non-interest bearing and the Company will receive a $10,000 discount upon repayment, provided it is repaid in full on or before December 31, 2022.

15) Share capital

a) Authorized:

Unlimited common shares without par value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

b) Issued or allotted and fully paid:

During the year ended 30 September 2020:

	Number of Shares	Amount
Balance as at 1 October 2019	13,563,375	$ 18,461,617
Units issued for private placement	**39,978,712**	**2,667,959**
Units issued upon the Amalgamation (Note 7)	**14,184,560**	**995,306**
Shares issued for property (Note 12)b)	**5,000,000**	**400,000**
Units issued for debt settlement	**3,825,384**	**323,122**
Units issued for promissory note (Note 12)d)	**1,312,320**	**85,643**
Share issuance cost	**353,550**	**(465,987)**
Balance as 30 September 2020	**78,217,901**	**$ 22,467,660**

Shares issued for private placement:

- On 15 July 2020, the Company issued 625,000 units pursuant to a non-brokered private placement at a price of $0.08 per unit for gross proceeds of $50,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

- On 15 June 2020, the Company completed a non-brokered private placement of 14,177,725 units at a price of $0.08 per unit for gross proceeds of $1,134,218. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

- On 18 February 2020, the Company issued 500,000 units pursuant to a non-brokered private placement at a price of $0.08 per unit for gross proceeds of $40,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

- On 14 February 2020, the Company issued 22,175,987 units at a price of $0.08 per unit for gross proceeds of $1,774,079. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

- On 3 January 2020, the Company completed a bridge financing, representing the funds required to satisfy the closing of transaction with ASM. The Company issued 2,500,000 units at a price of $0.08 per unit for gross proceeds of $200,000, out of which $13,000 received during the year ended 30 September 2019. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

Shares issued for debt:

- On 20 August 2020, the Company settled debt of $14,100 through the issuance of 141,000 common shares.

- On March 2, 2020, the Company settled debt of $180,223 through the issuance of an aggregate of 1,802,230 common shares. Of the common shares issued, 400,000 related to settlement of financing fees incurred during

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

the year ended 30 September 2019, where 150,000 were issued to 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 debt with certain creditors through the issuance of an aggregate of 1,882,154 common shares and 738,577 share purchase warrants to certain creditors. Of the common shares issued, 466,250 common shares were issued to current and related parties. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

Share issuance costs:

- In connection with the shares issued for cash, the Company issued 353,550 common shares and 3,258,295 warrants to certain finders and consultants as finders' fees. The Company agreed to pay finders' fees ranging from 7% to 8.5% of the gross proceeds raised by the consultants and finders, and issue finder's warrants ranging from 7% to 8.5% of the number of units issued. Each finder's warrant is exercisable by the holder thereof into one common share of the Company at a price of $0.15 for a period of 24 months.

<u>During the year ended 30 September 2019:</u>

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 12 d).

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 2020 and 2019 is as follows:

STOCK OPTION ACTIVITY	**30 September 2020**		**Weighted Average Exercise Price**	30 September 2019		Weighted Average Exercise Price
Balance – Beginning of Year	**160,000**	**$**	**1.28**	**271,250**	**$**	1.55
Issued	**6,100,000**		**0.12**	**-**		-
Issued upon Amalgamation	**600,000**		**0.10**	**-**		-
Expired	**(10,000)**		-	**(111,250)**		1.93
Balance – End of Year	**6,850,000**	**$**	**0.14**	**160,000**	**$**	1.28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

Issuance Date	Expiry Date		Exercise Price	30 September 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
18 February 2020	01 September 2022	$	0.10	300,000	-
18 February 2020	01 November 2022	$	0.10	300,000	-
9 March 2020	8 March 2022	$	0.10	2,800,000	-
30 August 2020	30 August 2022	$	0.13	3,300,000	-
				6,850,000	160,000

As at 30 September 2020, the outstanding options have a weighted average remaining life of 1.71 years (2019 - 2.21 years) and a weighted average exercise price of $0.14 (2019 - $1.28). All of the outstanding options have vested and are exercisable.

During the year ended 30 September 2020:

In August 2020, the Company granted 3,300,000 incentive stock options to its management and Board at an exercise price of $0.13 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.

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 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.

d) Warrants

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

WARRANT ACTIVITY	30 September 2020		Weighted Average Exercise Price	30 September 2019		Weighted Average Exercise Price
Balance – Beginning of Year	1,500,000	$	2.00	1,500,000	$	2.00
Issued	31,734,665		0.15	-		-
Expired	(1,500,000)		2.00	-		-
Balance – End of Year	31,734,665	$	0.15	1,500,000	$	2.00

During the year ended 30 September 2020:

During the year ended 30 September 2020, 1,500,000 warrants expired unexercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

Issuance Date	Expiry Date		Exercise Price	30 September 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	**13,352,072**	-
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	**8,645,579**	-
				31,734,665	1,500,000

As at 30 September 2020, the outstanding warrants have a weighted average remaining life of 1.48 years and a weighted average exercise price of $0.15 (2019 - $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 86%, 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.

e) Share-based payments

During the year ended 30 September 2020, the Company granted 6,100,000 incentive stock options to its directors, officer, and consultants and recognized share-based payments as follows:

		30 September 2020
Total Options Granted		**6,100,000**
Average exercise price	**$**	**0.14**
Estimated fair value of compensation	**$**	**524,000**
Estimated fair value per option	**$**	**0.09**

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 2020
Risk free interest rate	**0.26 – 0.66%**
Expected stock price volatility	**86% - 93%**
Expected dividend yield	**-**
Expected option life in years	**1.44-1.92**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 September 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 September 2020 is an accumulated deficit of $1,224,231 (2019 - $1,221,164). For the year ended 30 September 2020, net loss and comprehensive loss of $3,067 (2019 - $150) has been attributed to the non-controlling interest in these Financial Statements.

16) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

RELATED PARTY DISCLOSURE Name and Principal Position	Year[i]		Remuneration or fees[ii]		Share-based payments		Amounts Payable and Accrued Liabilities
CEO and Director – Management fees	**2020**	**$**	**124,828**	**$**	**183,000**	**$**	**113,078**
	2019	$	96,000	$	-	$	122,000
CFO – Management fees	**2020**	**$**	**48,000**	**$**	**24,000**	**$**	**770**
	2019	$	33,419	$	-	$	-
CFO – Professional fees	**2020**	**$**	**21,495**	**$**	**-**	**$**	**-**
	2019	$	6,750	$	-	$	-
Directors – Director fees	**2020**	**$**	**12,000**	**$**	**78,000**	**$**	**11,325**
	2019	$	3,200	$	-	$	-
Directors – Consulting fees	**2020**	**$**	**100,500**	**$**	**102,000**	**$**	**45,000**
	2019	$	-	$	-	$	-
Former Director – Consulting fees	**2020**	**$**	**40,000**	**$**	**-**	**$**	**15,750**
	2019	$	-	$	-	$	-
Former Directors – Director fees	**2020**	**$**	**-**	**$**	**-**	**$**	**-**
	2019	$	1,250	$	-	$	3,750
Total	**2020**	**$**	**346,823**	**$**	**387,000**	**$**	**185,923**
	2019	$	153,869	$	-	$	236,261

(i) For the year ended 30 September 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 (14) and debt settlement with related parties is described in Note (15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

17) Segmented disclosure

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

(Rounded to 000's)	Canada	US	Total
30 September 2020			
Current Assets	**$ 542,000**	**$ -**	**$ 542,000**
Non-Current Assets			
Other non-current assets	**262,000**	**-**	**262,000**
Resource properties	**2,327,000**	**2,117,000**	**4,444,000**
Liabilities			
Current Liabilities	**462,000**	**219,000**	**681,000**
30 September 2019			
Current Assets	$ 40,000	$ -	$ 40,000
Non-Current Assets			
Other non-current assets	78,000	-	78,000
Resource properties	312,000	1,861,000	2,173,000
Liabilities			
Current Liabilities	807,000	-	807,000

18) 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.

19) Commitment

The Company entered into an agreement to extend the lease of the premises for an extension of 12 months commencing 1 July 2020 and expiring 30 June 2021. The Company's remaining annual minimum lease payments as at 30 September 2020 are shown below:

Fiscal 2021	14,334
Total	**$ 14,334**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

20) 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 2020 and 2019.

	30 September 2020	30 September 2019
Net loss before tax	**$ (2,226,346)**	$ (636,521)
Statutory tax rate	**27.00% to 29.70%**	27.00%
Expected income tax (recovery)	**(601,000)**	(172,000)
Permanent differences and other	**(257,000)**	(1,667,000)
Effect of changes in statutory tax rates	**-**	(138,000)
Change in deferred tax asset not recognized	**858,000**	1,977,000
Total income tax expense (recovery)	**$ -**	$ -

The unrecognized deductible temporary differences and deferred income tax assets as at 30 September 2020 and 2019 are comprised of the following:

	30 September 2020		30 September 2019	
	Temporary difference	**Deferred income tax asset (liability)**	Temporary difference	Deferred income tax asset (liability)
Non-capital losses carry-forwards	**$ 15,740,000**	**$ 4,251,000**	$ 14,090,000	$ 3,804,000
Exploration and evaluation assets	**7,517,000**	**2,042,000**	6,421,000	1,734,000
Capital losses	**29,000**	**8,000**	56,000	15,000
Financing costs	**310,000**	**84,000**	54,000	15,000
Property and equipment	**123,000**	**33,000**	(30,000)	(8,000)
Total unrecognized deductible temporary differences and deferred income tax assets	**$ 23,719,000**	**$ 6,418,000**	$ 20,591,000	$ 5,560,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

As at 30 September 2020, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of $15,739,000 (2019 - $14,090,000) 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	1,140,000
Total	$ 15,739,000

21) Subsequent events

Subsequent to the year ended 30 September 2020:

The Company completed a non-brokered private placement of 2,400,000 units at a price of $0.25 per unit for gross proceeds of $600,000. Each Unit consists of one common share in the capital of the Company.

The Company settled an aggregate of $127,963 of debt through the issuance of an aggregate of 507,992 common shares to certain creditors. Of the common shares issued, 266,394 common shares were issued to current or former related parties.

The Company issued 6,802,328 common shares upon the exercise of warrants ranging in price from $0.15 to $0.16 per common share for gross proceeds of $1,032,926.

The Company issued 1,100,000 common shares upon the exercise of stock options at a price of $0.10 - $0.13 per common share for gross proceeds of $135,500.

The Company issued 600,000 common shares upon the exercise of ASM Options related to the Amalgamation.