

2020

Ares Strategic Mining Inc.

(formerly Lithium Energy Products Inc.)

Management's Discussion and Analysis

**For the Year Ended 30 September
2020**

Stated in Canadian Dollars

DATE: 20 JANUARY 2021



ARES STRATEGIC MINING INC.

FOR THE FOR THE YEAR ENDED 30 SEPTEMBER 2020

Canadian Dollars

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

This Management Discussion and Analysis (“MD&A”) supplements - but does not form part of – the Consolidated Financial Statements for the for the year ended 30 September 2020. Consequently, the following discussion and analysis of the financial condition and results of operations for Ares Strategic Mining Inc. (“Ares” or the “Company”), formerly Lithium Energy Products Inc., should be read in conjunction with the Consolidated Financial Statements for the year ended 30 September 2020, and the related notes therein, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), consistently applied.

Discussion of the Company, its operations and associated risks are further described in the Company’s filings, available for viewing at www.sedar.com. A copy of this MD&A will be provided to any applicant upon request.



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FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's filings and herein. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	Ares has the resources to fund their ongoing operations and the ability to raise the funds for further operations which exceed current resources.	Ares has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern.
Proving Ares' deposits' economic viability.	Deposits are either economically viable or Ares can obtain new sources of minerals for exploitation, trading or offtake agreements.	Lack of information to assess corporate and mining strategy for the existing assets.
Proving Ares' deposits' processing ability.	Ares' deposit compositions are favourable towards economically recovering minerals.	Lack of information to assess asset grade.
Ares intends to acquire further properties to expand their mining and supply operations.	Properties demonstrating economic potential and have existing supportive infrastructure can be located and acquired.	Prospective acquisitions do not demonstrate sufficient potential and viability to justify acquisition.
Ares intends to enter into MOUs with several customers to ensure a customer base exists for Ares products.	Potential customers are willing to commit to mineral acquisition from Ares prior to exploration completion and exploitation.	Potential Ares customers may overstate the quantities they intend to purchase as they are currently predictive.
Ares intends to arrange financing for the development of its current properties	The Company and its properties can prove economic potential and attract investment.	Ares is unable to attract investment and must investigate alternate strategies.
Ares intends to acquire operational projects to improve its cashflow	The Company will have the resources and/or means to acquire such projects.	Ares is unable to acquire the necessary investment and must investigate alternate strategies.



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Ares intends to investigate and determine the most suitable technology and mining practices for its projects.	The Company has the expertise and connections to reasonably inform their decision-making processes.	Being unable to locate the most suitable technology and practises and running a sub-optimal operation.
Ares intends to use several exploration methods to gain better insight into its deposits for the purposes of mine design and exploitation optimisation.	The Company can source the best personnel to undertake the work necessary to obtain the detailed geological and geophysical information required.	Defining improper requirements for the contracted personnel.
Ares intends to purchase equipment tailored to the geology and composition of its material.	Bench testing and metallurgy return results able to provide the Company with information upon which the plant design and setup can be determined.	Lab work could be undertaken which provides results that provide insufficient information to reliably determine the best equipment.

QUALIFIED PERSON

The technical and scientific information in this document has been reviewed and approved by Raul Sanabria, P.Geo., a Qualified Person as defined by National Instrument 43-101 (“NI 43-101”). He is the Company’s VP of Exploration, Director and shareholder.

FUTURE OUTLOOK

Ares intends to upgrade and increase the heavy equipment at the mine site, as well as construct mineworks which allow the Company to exploit the fluorite resources available more fully.

Ares will develop its industrial ground for an expanded processing operation and install revamped and greater infrastructure to support its enlarged operation.

Ares intends to partner with a multinational supplier of fluorspar to act as distributor for its product.

Ares intends to install a professional staff able to manage the mining operations at its Lost Sheep Fluorspar mine project.

Ares will employ experienced mining and process engineers to act in concert with its management team, to verify and ensure that all steps taken to advance its projects are considered and objective, so the optimum outcome can be obtained.

Ares will identify the most suitable processing equipment to ensure that its manufactured products are industry competitive and economically viable.

Ares intends to purchase more industrial land in Delta Utah, to increase its manufacturing capacity for producing high grade fluorspar products.

Ares will begin preliminary work on the Liard project in preparation for developing the project towards production.

Ares will examine its long-term goal of establishing a hydrofluoric acid facility to manufacture HF from its processed product line.



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CORPORATE OVERVIEW

The Company changed its name to Ares Strategic Mining Inc. with the Ontario Registry effective 13 February 2020. The TSX Venture Exchange (“TSXV”) has approved the change of name to “Ares Strategic Mining Inc.” and the concurrent change of the Company’s stock symbol to “ARS”.

Ares is a publicly traded junior mining Company whose principal business is identifying and mining. Currently, the Company is focusing on progressing its fluorspar projects towards exploitation, production and supplying metspar and acidspar to the markets.

Ares has at its disposal, geologists, geophysicists, mining engineers and market experts responsible for developing the project towards production.

The Company’s business is managed by specialist staff and experts with diverse experience across the entire mineral resource industry. The Company has a proven track record of identifying viable mineral deposits and progressing these discoveries to operation and sale.

SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

On 9 September 2020, Ares announced follow-up drill program after confirming high-grade fluorspar mineralization on its Lost Sheep fluorspar mine.

On 31 August 2020, Ares announced that its board of directors approved the granting of incentive stock options to the Ares management and Board at an exercise price of \$0.13 per common share for a period of 24 months from the date of issuance.

On 31 August 2020, Ares received all the assay results from its 12 Reverse Circulation delineation drill holes from the drill program conducted at its Lost Sheep Fluorspar mining operation located in Delta, Utah, US.

On 19 August 2020, Ares announces the appointment of Mr. Keith Minty, to the position of Vice President - Project Manager, responsible for coordinating, progressing, and launching, commissioning the Company’s new expanded fluorspar mining operation located near Delta Utah, U.S.A. Mr. Minty has agreed to settle 60% of his future Invoices in Company’s common shares through a Shares for Debt Settlement. The Company has agreed to settle \$14,100 of Mr. Minty’s Invoices through shares, at the current trading price of \$0.10, for a total of 141,000 shares.

On 14 August 2020 Ares announced that the Company has commenced trading as “ARESMF” on all applicable OTC marketplaces.

On 2 July 2020, Ares announced it had engaged P&E Mining Consultants Inc. to complete the Mine Design for its Lost Sheep Fluorspar Mine.

On 22 June 2020, Ares signed an agreement with Zimtu Capital Corp. (TSXV: ZC; FSE: ZCT1) (“Zimtu”) whereas Zimtu shall provide Ares services under the Zimtu ADVANTAGE program. Zimtu ADVANTAGE is a program designed to provide opportunities, guidance, cost savings and assistance to clients covering multiple aspects of being a public company. The services may include building financial networks, building business networks, shared costs with other public companies, building a social media presence, conference opportunities, media outlets and guidance, and special group pricing provided by Zimtu’s network of public company professionals. Under the terms of the agreement, Zimtu shall receive \$8,333 per month, payable in advance, for a period of twelve months.

On 17 June 2020, Ares announced that following its metallurgical work, the Company successfully upgraded its naturally occurring fluorspar ore to the highest grade required by industry.



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On 12 June 2020, Ares announced that following the completion of its Phase 1 drill program on the Lost Sheep mine, the Company has located additional fluor spar mineralization within its permitted areas.

On 9 June 2020, Ares announced the appointment of a new Director – Bob Li who is a world expert in fluor spar mining and production. Mr. Li is the Managing Director of the Mujim Group, one of Asia largest fluor spar producers. Mr. Li operates several fluor spar mines in Thailand and Laos, as well as fluor spar trading companies in India, China, and the UAE. Mr. Li brings to Ares many years of operational experience in the fluor spar industry.

On 2 June 2020, Ares announced the completion of its phase 1 drill program consisting of a delineation drill program at the Lost Sheep Mine. The Company has successfully mapped the location, size and orientation of one of the fluor spar pipes located on the property.

Ares mining contracted SGS Minerals Services to begin bench work testing, to facilitate the Company’s intended flotation plant.

On 29 May 2020, the Board approved the employment of Market IQ Inc., and Axe Communications Inc. to assist with marketing, advertising, distribution of news – particularly within the United States, article writing, and market analytics.

On 27 May 2020, Ares announced a non-brokered private placement offering of up to 10,000,000 Units at a price of \$0.08 per Unit for gross proceeds of approximately \$800,000. Each Unit shall consist of one common share and one-half of one common share purchase warrant exercisable at \$0.15 for a period of 24 months.

On 16 April 2020, Ares commenced delineation drilling on its Lost Sheep mine, for the purposes of facilitating adit and mine design, and to inform the Company’s intended mine plan and mine expansion plans. More Core Diamond Drilling Services Ltd, based in Stewart, BC, were contracted to complete the drilling, with work expected to be completed before the end of May 2020.

In April 2020, 1,802,230 shares were issued for settlement of debt. Out of the common shares issued, 150,000 common shares were issued for settlement of financing fees related to an unsecured, non-interest-bearing loan of \$400,000 from the former Director of the Company and 1,384,730 common shares were issued to the former CEO of ASM and former Director of the Company.

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

	Number of Shares	Fair Value of Shares	Cash
Payment Due Date			
13 April 2020	-	\$ -	\$ 31,000
30 April 2020	5,000,000	500,000	-
Total	5,000,000	\$ 500,000	\$ 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.

In April 2020, 353,550 shares were issued as work fee payment stated in the service agreement signed on 3 April 2020.

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



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

On 28 February 2020, the Company announced that trading of the Company's shares was scheduled to recommence on 3 March 2020.

On 18 February 2020, the Company completed the acquisition of 100% of the Lost Sheep Fluorspar Mine from American Strategic Metals Inc. ("ASM"). The acquisition was structured as a three-cornered amalgamation. Pursuant to the terms of the Agreement, Ares issued an aggregate of 14,184,560 units to the former shareholders of ASM, each Unit consisting of one common share of Ares and one half of one warrant at an exercise price of \$0.16. Subsequent to the closing of the Transaction, the Company received additional gross proceeds of \$40,000 as part of the non-brokered private placement through the issuance of 500,000 Financing Units on 20 February 2020, each Unit consisting of one common share of Ares and one half of one warrant at an exercise price of \$0.15.

On 14 February 2020, the Company closed of its \$1.8 million Financing, issuing 22,175,987 shares and 11,087,993 warrants of Ares, at a price of \$0.08 per unit. Each Warrant exercisable for a two-year period from the date of closing at an exercise price of \$0.15. The Offering was completed as part of a larger offering, with \$200,000 being closed on the 3rd January 2020, for a total raise of \$1,974,079, with 24,675,987 shares and 12,337,993 warrants being issued. The Company also closed its shares for debt submission on Friday 17th 2020, settling \$255,558 of debt for 3,194,474 Units. Ares intends to use the net proceeds to immediately begin developing its project, with drilling and bench testing being commenced as of Friday 17th 2020. The financing will also be used to buy equipment, such as ore sorters, crushers, and a bagging system, as well as complete adit construction to increase the mining capacity at the Lost Sheep operation.

Effective 13 February 2020, the Company changed its name to Ares Strategic Mining Inc. with the Ontario Registry. The Company's shares will begin trading on the TSXV under the new symbol "ARS" on 13 February 2020. The new CUSIP number is 04017M104 and ISIN number is CA04017M1041.

On 10 February 2020, the Company received conditional approval from the TSXV for the proposed transaction with ASM, a private British Columbia company, to acquire 100% of the Lost Sheep Fluorspar Mine.

On 6 January 2020, the Company announced that it successfully arranged a bridge financing, representing the funds required to satisfy the closing of transaction with ASM. The bridge financing consists of the issuance of 2,500,000 common shares of the Company at a price of \$0.08 per common share with 1,250,000 warrants attached with an exercise price of \$0.15, valid for two years from the closing of the financing. With the closing of the bridge financing, the Company will pay certain external service providers up to \$200,000, which will allow the Company to proceed towards the closing of the RTO Transaction.

On 3 January 2020, the Company successfully arranged a bridge financing, representing the funds required to satisfy the closing of transaction with ASM. The bridge financing consists of the issuance of 2,500,000 common shares of the Company at a price of \$0.08 per common share with 1,250,000 warrants attached with an exercise price of \$0.15, valid for two years from the closing of the financing.

Effective 5 December 2019, the Company's board of directors has appointed Manning Elliott LLP as the Company's auditor. MNP LLP resigned effective 5th December 2019 and there were no reservations in the former Auditor's audit reports for any period and ending at the date of the resignation. There are also no "reportable events" (as the term is defined in National Instrument 51-102 02 – Continuous Disclosure Obligations ("NI 51-102")) between the Company and the Former Auditor. In accordance with NI 51-102, the notice of change of auditor, together with



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the required letters from the Successor Auditor and the Former Auditor, have been reviewed by the board of directors of the Company and filed on SEDAR.

On 1 December 2019, James Walker was appointed to the board of directors. Mr. Walker has over 13 years of engineering and project management experience within several industries including mechanical engineering, mining engineering, construction, project management, manufacturing, safety management and nuclear engineering. He is currently the CEO and President of the Company, and Director for Bayhorse Silver Inc. He has degrees in Mechanical Engineering, Mining Engineering, and Nuclear Physics, as well as qualifications in Project Management and Accountancy. He is a chartered engineer with the IMechE and registered as a Professional Project Manager with the APM, with experience in Quality Control, Stakeholder Management, and PPP projects.

On 19 November 2019, the Company announced that as a result of its intention to complete the amalgamation transaction with ASM and ramp up ASM's Lost Sheep fluorspar mine in Utah, it has engaged Sprott Capital Partners LP (the "Agent"), on a best efforts basis, as the exclusive placement agent to the Company, for a private placement of up to 43,750,000 units (the "Units") at a price of \$0.08 per Unit (the "Purchase Price") for gross proceeds of up to \$3,500,000 (the "Offering"). Each Unit is comprised of one common share of the Company (each a "Common Share") and one half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one Common Share for a period of twenty-four (24) months after the closing of the Offering at an exercise price of \$0.15 per Common Share. The net proceeds from the Offering will be used to purchase mining equipment, employ a professional workforce, upgrade processing facilities, construct an adit, and will provide the Company working capital to restart the mine.

On 18 November 2019, the Company announced the signing of a non-binding MOU between Possehl Erzkontor North America Inc. (Possehl) and the Company.

Under the MOU, the two firms will negotiate binding definitive agreements for the following:

- Possehl will become Ares's exclusive agent for the sale and worldwide distribution of Fluorspar produced at the Company's Lost Sheep Mine in Utah.
- Under a take or pay sales agreement, Possehl will be responsible for selling all the Company's expected 60,000 tonne per year production of Metspar, for the next 5 years, with the option of renewal at the end of that period.
- Possehl will earn a commission on all sales.
- After suitable due diligence, Possehl will advance US\$2,000,000 under a forward sale agreement, to enable the Company to meet its working capital and investment needs.
- Possehl also has the right of first refusal for any additional fluorspar products such as acidspar and any production from other mines Ares may acquire.

On 23 October 2019, Karl Marek and Raul Sanabria were appointed to the board of directors of Ares, both of whom were also directors of ASM.

On 10 October 2019, the Company announced that, following recent progress in financing the project, the Company and ASM have agreed to extend the Definitive Amalgamation Agreement, as originally dated 1 April 2019 cornered amalgamation (the "Amalgamation Transaction").

During the six months ended 31 March 2020, all 1,500,000 outstanding warrants of the Company expired unexercised.



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EXPLORATION

Lost Sheep

On 18 February 2020, the Company completed the acquisition of 100% of the Lost Sheep Fluorspar Mine from ASM 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.

The Company is currently the only, permitted and producing fluorspar mine in the United States. Fluorspar is an industrial mineral the US imports 100% from abroad. It is a vital component of US industry, used in the production of steel, aluminium, refrigeration units, cement, hydrofluoric acid, fluorine, electronics and touch screens, teflon, and electric batteries. The US has been completely reliant on imports for 20 years, and this project represents an opportunity for the US to regain an entire lost industry, as well as become one of the few countries in the world which produce fluorspar. The Company has spent 2020 completing large scale drilling and engineering programs to design the mining and processing operation, which will produce fluorspar ready for US industry in 2021. The Company has also worked closely with the Bureau of Land Management (BLM) and the Utah Division of Oil, Gas, and Mining (UDOGM), to update all its permits so production can begin as soon as the equipment and plant are delivered to site.

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2020

On 19 January 2021, the Company announced its metallurgists and process engineers greatly improved both grades and recoveries during its on-going metallurgical work.

On 11 January 2011, the Company has commenced preliminary planning for its second proposed mine site on its consolidated Spor Mountain fluorspar claims area. The Company has identified the historic Bell Hill mine area as the most suitable site for an advanced mining operation, which is anticipated to operate concurrently with the Lost Sheep mine.

On 29 December 2020, the Company has received technology commitments which will enable Ares to manufacture a fluorspar product not previously anticipated at its Utah mining operation.

On 21 December 2020, Ares completed its engineering design work on the upcoming processing facility to be installed at the mining operation in 2021.

On 12 November 2020, Ares completed its fluorspar surveying work, identifying the most prospective mining areas across its 2,100 acre Spor Mountain operation areas. The Company's lead engineering project manager, Mr. Keith Minty, has asked to settle \$20,100 of his Invoices in common shares through his Shares for Service Agreement, priced at the time of invoicing, for a total of 80,400 shares. The Company has also completed its non-brokered private placement in the amount (the "Offering") of 2,400,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of approximately \$600,000. Each Unit shall consist of one common share in the capital of the Company (a "Common Share").

On 4 November 2020, Ares announced that the Company has signed a US\$10MM equipment leasing arrangement with Sertant Capital, LLC. Ares intends to execute a 36-month leasing arrangement, during which the Company will purchase its flotation plant, heavy machinery and vehicles, crushing circuit, and bagging facility. The leasing



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arrangement will finance 90% of all equipment costs, with the Company being responsible for paying 10% of the leasing facility.

On 28 October 2020, the Company announced the completion of its delineation drilling at the Lost Sheep Mine, successfully locating a large discovery of additional fluorspar within its permitted mining area, and expanding its primary mining operation for 2021.

On 20 October 2020, Ares Strategic Mining Inc. is pleased to announce the Company has located and acquired additional mining prospects demonstrating fluorspar mineralization and consolidating the Spor Mountain Fluorspar District.

On 13 October 2020, Ares announced several major advances towards its planned mining operation, including approval to commence mining operations, an approved environmental permit, additional land for stockpiling mined product, and local government support for construction work and facility upgrades. The Company has also acquired additional land for the purposes of stockpiling product to ensure a constant feed for processing is available, especially during winter months and mine shut down periods for construction work and upgrades. Following important advances in mine and processing planning, the Company's lead engineering project manager, Mr. Keith Minty, settled \$17,700 of his Invoices in stock through his Shares for Service Agreement, priced at the time of invoicing, for a total of 97,875 shares.

On 5 October 2020, Ares announced the discovery of new and additional fluorspar mineralization between its the Little Giant Pit (LGP) mining site, and an historic mining site called the Purple Pit, all falling within its permitted mining area. Ares has accelerated its RC drilling exploration program, expanding the known LGP target after a successful first round of delineation drilling. The Company has also discovered a new area of fluorspar mineralization between the recently drilled (LGP) mining site and the historic mining area of the Purple Pit. Both mining sites are characterized by high-grade fluorspar mineralization and geological evidence now clearly indicates the LGP branches off from the Purple Pit. Drilling suggests the newly discovered fluorspar connects these mining areas and forms one large single fluorspar bearing breccia. Current drilling has delineated a fluorspar zone over >35m long and 15m wide in plan view (see Figure 1). Drilling has further tested the zone to a vertical depth of 70m as per the deepest drill intersect.

RESULTS OF OPERATIONS

The comprehensive loss reported during the for the year ended 30 September 2020 was \$2,215,990 compared to \$636,521 in the prior year. The main fluctuations in costs are as follows:

Office and marketing fees (rounded to the nearest '000)	12 months 2020	12 months 2019
Variance	\$ 424,000	\$ 16,000
	\$ 408,000	

Increased office and marketing fees is due to additional marketing and media needs post the amalgamation transaction. The Company has entered into media service contracts during the period and hired a media manager starting February 2020.



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Stock-based compensation (rounded to the nearest '000)	12 months 2020	12 months 2019
	\$ 524,000	\$ -
Variance	\$ 524,000	

The increase in stock-based compensation relates to 6,100,000 incentive stock options to its directors, officers, and consultants at an average exercise price of \$0.14 per common share for a period of 24 months from the date of issuance.

Management fees (rounded to the nearest '000)	12 months 2020	12 months 2019
	\$ 270,000	\$ 147,000
Variance	\$ 123,000	

The increase in management fees mostly relates to an increase in CEO's contract, and two management consulting contracts that were taken over as part of the Amalgamation transaction.

Professional fees (rounded to the nearest '000)	12 months 2020	12 months 2019
	\$ 193,000	\$ 261,000
Variance	\$ (68,000)	

The decrease in professional fees relates to professional fees incurred in the prior period in order to prepare the Company for the amalgamation.

Transfer agent and filing fees (rounded to the nearest '000)	3 months 2020	3 months 2019
	\$ 80,000	\$ 25,000
Variance	\$ 55,000	

The increase in transfer agent and filing fees relates to increased share activities during the year ended 30 September 2020 and OTC listing.

SUMMARY OF ANNUAL RESULTS

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with International Financial Reporting Standards and Canadian generally accepted accounting principles as applicable.

Fiscal Year Ended	Sep-20	Sep-19	Sep-18
Total Revenues	\$ -	\$ -	\$ -
Loss for the Year	\$ 2,226,346	\$ 636,558	\$ 1,013,482
Comprehensive Loss for the Year	\$ 2,215,990	\$ 636,521	\$ 1,013,482
Loss and Comprehensive Loss per Share (Basic and Diluted)	\$ (0.05)	\$ (0.05)	\$ (0.10)
Total Assets	\$ 5,248,500	\$ 2,290,631	\$ 2,237,901



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OUTSTANDING SHARES

As at 30 September 2020, the Company had 78,217,901 common shares issued and outstanding; the fully diluted amount of 116,802,566 includes 6,850,000 options and 31,734,665 warrants outstanding.

As at the date of this report, the Company had 87,228,221 common shares issued and outstanding; the fully diluted amount of 115,460,558 includes 5,150,000 options and 23,082,337 warrants outstanding.

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2020, the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and short-term loans. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

The following discussion relates to the year ended 30 September 2020 and compares that to the fiscal 2019:

As at 30 September 2020, the Company had a working capital deficit of \$139,000 compared to a working capital deficit of \$767,000 as at 30 September 2019.

Cash used in operating activities during the year ended 30 September 2020 totalled \$1,350,655 (30 September 2019: \$243,353). This is consistent with management expectations.

Cash used in investing activities during the for the year ended 30 September 2020 totalled \$1,248,614 (30 September 2019: cash provided by investing activity - \$105,717).

Cash raised in financing activities during the year ended 30 September 2020 totalled \$2,845,334 (30 September 2019: \$136,027).



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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	1,459,064	431,000	-	-	-	-	1,890,064
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
	-	-	-	-	(649,900)	-	(649,900)
Balance as at 30 September 2020	\$ 2,486,896	\$ 432,332	\$ 312,000	\$ 1,212,782	\$ -	\$ 4	\$ 4,444,014



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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 31 March 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.

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.

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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 \$681,053 that are due within one year; accordingly, the Company is not exposed to significant liquidity risk.

CAPITAL RESOURCES

Ares has no recent history of profitable operations. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of adequate revenues.

It will be necessary for Ares to arrange for additional financing to meet its on-going exploration and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although Ares successfully completed financing during the year ended 30 September 2019, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

CAPITAL MANAGEMENT

The Company's capital consists of cash and shareholders' equity. 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at 30 September 2020 and as at the date hereof.



REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

RELATED PARTY TRANSACTIONS

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

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

RELATED PARTY DISCLOSURE				Amounts Payable and Accrued Liabilities
Name and Principal Position	Year⁽ⁱ⁾	Remuneration or fees⁽ⁱⁱ⁾	Share-based payments	
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.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

MANAGEMENT

Ares is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Ares could result, and other persons would be required to manage and operate the Company.



REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

RISK FACTORS

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bear a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Companies typically rely on comprehensive feasibility reports on mineral reserve estimates to reduce the risks and uncertainties associated with a production decision. The Company has not completed a feasibility study on, nor has the Company completed a mineral reserve or resource estimate at the Lost Sheep Mine and as such the financial and technical viability of the project is at higher risk than if this work had been completed. Based on historical engineering work, geological reports, historical production data and current engineering work completed or in the process by Ares, the Company intends to move forward with the development of this asset.

Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets. The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in mineral prices. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

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.

CRITICAL ACCOUNTING ESTIMATES

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the financial position reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities relate to but are not limited to the following:

- The recoverability of exploration and evaluation assets presented on the consolidated statement of financial position;



REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

- The estimated useful lives of property and equipment which are included in the consolidated statement of financial position and the related depreciation;
- The inputs used in accounting for share-based payment transactions in the consolidated statements of comprehensive income and loss;
- Management's determination that there is no material restoration, rehabilitation, and environmental exposure, based on the facts and circumstances that existed during the year.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in the Management Discussion and Analysis.

A CAUTIONARY TALE

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted on behalf of the Board of Directors,

"James Walker"

James Walker, CEO