

**2021**

# **Ares Strategic Mining Inc.**

**Management's Discussion and Analysis**

**For the Year Ended 30 September 2021**

**Stated in Canadian Dollars**

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**DATE: 28 JANUARY 2022**

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**ARES STRATEGIC MINING INC.**

**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

*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 2021. 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 2021, 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](http://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](http://www.sedar.com).

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

<b>Forward-Looking Information</b>	<b>Key Assumptions</b>	<b>Most Relevant Risk Factors</b>
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.
Ares intends to acquire a second industrial site with rail access, for the purposes of constructing a second processing facility.	The necessary utility upgrades and infrastructure can be supplied to site to make it sufficient for operations.	City site objections to operations.
Ares intends to move from the TSXV to the CSE for reduced Exchange costs and expedited operations.	The Company assumes it can meet the CSE requirements of entry and obtain permission from the TSXV.	Reporting and disclosure requirements requiring time to assemble and acquire approval.
Ares intends to examine the possibility of creating spin-off companies for its non-fluorspar projects.	The increase of value to the investor from the creation of any new company, or from the share position in another company.	Regulator and Exchange approval.

**QUALIFIED PERSON**

The technical and scientific information in this document has been reviewed and approved by Raul Sanabria, P.Geol., 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.



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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 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.

Ares intends to renovate its reserved UP rail spur, or alternatively purchase industrial land with a rail spur, to assist with shipping its products.

### **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". The Company transitioned to the Canadian Securities Exchange and began trading at the opening of the market on the 22 October 2021.

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 8 Sep 2021, Ares submitted to the BCSC, a National Instrument 43-101 ("NI 43-101") update Technical Report on its Spor Mountain Fluorspar Project. The technical report titled "Technical Report on The Lost Sheep Fluorspar Property, Juab County, Utah, U.S.A." was submitted on 8th of September 2021 and was prepared in accordance with National Instrument 43-101 - "Standards of Disclosure for Mineral projects". The submitted Technical Report is an update of the Technical Report titled "Technical Report on the Lost Sheep Property" dated 30 June 30 2019.

On 30 July 2021, the Company delisted from the TSX Venture Exchange at the close of market hours on the 29th July, and completed its submission of all required documentation to list on the Canadian Securities Exchange (the "CSE"), with the intention of commencing trading on the 30th July, 2021. The Company instructed the TSXV to delist in error, as it is necessary for the Company to complete an updated NI 43-101 report on its Utah Fluorspar project, to meet the British Columbia Securities Commission (BCSC) disclosure requirements, before being able to complete its CSE application. After being informed of these requirements, the Company commenced this work and currently ceased trading pending acceptance of the new NI 43-101 report.

On 15 July 2021, the Company announced that further to its news releases dated 26 February 2021, the Company has closed its acquisition of a fluorspar lump manufacturing facility (the "Facility") pursuant to the terms and



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conditions of a Profit Sharing Agreement dated 9 February 2021, as amended (the "Profit Sharing Agreement") between the Company and The Mujim Group, a non-arm's length private Shanghai company ("Mujim"). Pursuant to the terms of the Profit-Sharing Agreement, the Company agreed to acquire the Facility for an aggregate purchase price of US\$2,000,000 (the "Purchase Price"). The Purchase Price is payable by the Company in cash or, alternatively and at a premium, by issuing an aggregate of 5,300,000 common shares in the capital of the Company (each, a "Share"). The share price at the date of issuance was CAD 0.67 and the shares were valued at the said price.

On 12 July 2021, the Company announced the results of its AGM.

On 5 July 2021, the Company announced that it has received conditional approval to list its voting shares on the Canadian Securities Exchange (the "CSE") under the trading symbol "ARS". Final approval of the listing is subject to the Company meeting certain customary conditions of the CSE.

On 1 June 2021, the Company announced that its common shares (including those traded on the OTCQX) are now eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") in the United States.

On 23 May 2021, the Company announced the commencement of construction work at the Company's Industrial Site in Delta, Utah.

On 20 May 2021, the Company announced that its board of directors had approved the granting, under its Share Option Plan, of incentive stock options to certain directors, officers and consultants of the Company.

On 17 May 2021, the Company issued a clarifying news release that it had decided to proceed to production without first establishing Mineral Resources or Reserves, and that economic assessments would not involve resources and reserves.

On 10 May 2021, the Company announced 8,000m of geophysical IP surveys were conducted on the Bell Hill historic mine area, correlating geophysical anomalies with both known fluor spar mineralization, and identifying new anomalies with similar geophysical signatures to known existing fluor spar pipes.

On 12 April 2021, the Company announced that geophysical IP surveys identified new anomalies with similar geophysical signatures as known existing fluor spar pipes.

On 17 March 2021, the Company announced, it has contracted KLM Geoscience's geophysics team to conduct fluor spar pipe resistivity/chargeability geophysics program on potentially fluor spar rich areas.

On 8 March 2021, the Company completed its conceptual mine and operating plan.

On 2 March 2021, the Company announced it had engaged Market IQ ("MIQ"), Axe Communications ("Axe"), and VSA Capital ("VSA") for investor relations services to the Company, and the Company has determined not to proceed with its private placement financing to raise gross proceeds of \$600,000.

On 2 March 2021, the Company announced its common shares are now trading on the OTCQX Best Market under the ticker symbol of ARSMF.

On 26 February 2021, the Company announced that Ares completed a purchase of lumps plant processing facility from the Mujim Group, related party by common director. The processing plant has an estimated cost of US\$2 million and will be settled by 5,300,000 common shares. There is a profit-sharing component whereby the Mujim Group will receive US\$10/tonne from future sales. This is pending TSXV approval.

The Company will also expect to complete a non-brokered private placement of approximately 4,000,000 Units at a price of \$50 per Unit for gross proceeds of approximately \$2,000,000. Each Unit shall consist of one common share in the capital of the Company.



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On 18 February 2021, the Company announced it had completed the industrial site design work ahead its planned fluorspar processing operation.

On 9 February 2021, the Company announced that following modelling work using recent drilling and assaying data, it had discovered high-grade industry ready metspar quality fluorspar.

On 7 February 2021, the Company announced it has commenced the initial work to being developing a second mining operation in Utah.

On 27 January 2021, the Company announced it had received the remaining assay results from its delineation drilling program at its Utah fluorspar mine.

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

On 11 January 2021, the Company has commenced planning for its second proposed mine site. The Company has identified the historic Bell Hill mine area as the most suitable site for an advanced mining operation.

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 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.



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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. Drilling has further tested the zone to a vertical depth of 70m as per the deepest drill intersect.





**REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS**

**EXPLORATION**

**Spor Mountain**

**1. Lost Sheep**

The Company holds a 100% interest in and rights to certain U.S. federal mining claims located at the north-east end of the Spor Mountain Mining District, in section 21, T.12S. 12W, and T.13S. 12W, SLBM of Juab County, western Utah, USA (the “Spor Mountain”). The Spor Mountain property consists of several mineral claim blocks including the Lost Sheep Fluoride Mine, and other unpatented claims. The Company acquired its initial interest through the Amalgamation (Note 6) on 18 February 2020. During the year ended 30 September 2021, the Company acquired additional claims in the region through staking.

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

**2. Bell Hill**

The Company completed over 8,000 m of geophysical IP surveys on the Bell Hill historic mine area, at the Spor Mountain in Utah, correlating geophysical anomalies with both known fluor spar mineralization, and identifying new anomalies with similar geophysical signatures to known existing fluor spar pipes.

The Company is currently the only permitted fluor spar mine in the United States. Fluor spar 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 fluor spar. The Company has spent 2021 completing large scale drilling and engineering programs to design the mining and processing operation, which will produce fluor spar ready for US industry in the future. 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 2021**

On 24 January 2022, Ares announced the Company has received additional cash proceeds of \$936,650 from the exercise of 5,445,667 warrants priced at \$0.15 to exercise, and 748,750 warrants priced at \$0.16 to exercise.

On 21 January 2022, Ares announced that it has completed a generative drill target program to provide the Company with multiple exploration targets for testing in the coming years. The program is the first phase of a multi-year development plan that will run concurrently with the anticipated mining operation, and which is designed to identify the sites for its subsequent operations.

On 21 January 2022, the Company also updated that 2,114,873 common shares were issued pursuant to a non-brokered private placement at a price of \$0.38 per share for gross proceeds of \$803,652.



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On 19 January 2022, Ares announced that the fabrication of its recently ordered steel has been completed and the Company has begun arranging to ship the steel to the United States, where it will be integrated with its recently shipped lumps plant in the Company’s production construction project.

On 13 January 2022, Ares announced that it has received all deliverables from a Laser Imaging, Detection and Ranging ("LiDAR") survey flown in October 2021 over its 100% owned Liard Fluorspar Project located in British Columbia.

On 10 January 2022, Ares announced that the Company has acquired exclusive right and access to develop the Campbell-Croster project, an already large historically delineated fluorspar project in Kentucky, US.

On December 16th, 2021, Ares announced that the Company has shipped its lumps plant. The plant is a large 3-storey facility, which will be the only one of its kind in North America.

On 22 Nov 2021, Ares announced that following detailed geological mapping work across the entire project area, claimed and additional unclaimed lands on Spor Mountain, the Company has proceeded to more than double its land holdings in the area at Spor Mountain. The Ares geological team has also successfully identified over 160 new drill targets within the new property outline which the Company plans to continue developing as the Utah operation commences.

On 22 Nov 2021 Ares announced successfully completing its steel infrastructure purchase, and the commencement of its fabrication in anticipation for construction. The 3-storey structure allows a multi-person crew to operate the processing system and provides the supporting build, around which the plant will be constructed.

On 9 Nov 2021, Ares announced that it has completed detailed geological mapping work across its permitted mining areas. Following the success of the exercise the mapping work was extended to further promising locations across the Spor Mountain.

On 5 Nov 2021, Ares announced that it has signed a joint venture memorandum of understanding to secure a 50% interest in the Vanadium Ridge Project. The Company, together with Imbue Capital, came to terms, whereby Ares and Imbue would each own 50% of the project, and Imbue Capital would bring \$1.5 million in development funds, with the Cash component being no less than \$1Million CAD, as well as bringing the project to Ares with a permitted drilling program.

On 22 October 2021 Ares announced that it has completed a Lidar Survey over its Canadian Fluorspar Project, located in Liard, Northern British Columbia. This work enabled the company to construct digital 3-D topographical representations of the entire area for the planning of future exploration programs.

On 21 October 2021, Ares received approval for the listing of its common shares on the Canadian Securities Exchange (the “CSE”), under the symbol ARS at the opening of the market on 22 October 2021.

**RESULTS OF OPERATIONS**

The comprehensive loss reported during the year ended 30 September 2021 was \$3,706,230 compared to loss of \$2,215,990 in the prior year. The main fluctuations in costs are as follows:

	<b>Year Ended 30 September 2021</b>	Year Ended 30 September 2020
<b>Office and marketing fees</b> (rounded to the nearest '000)	<b>\$ 1,446,000</b>	\$ 424,000
Variance	<b>\$ 1,022,000</b>	-

Increased office and marketing fees are due to additional marketing and media needs when the Company has entered into media service contracts during the year and continues to utilize the service.



**REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS**

Pursuant to agreements dated 1 June 2020, and 18 October 2020, the Company retained AXE for services including general business consulting, corporate communications, business introductions. The Company paid \$50,000 for a two-month term under the 1 June 2020 contract and \$200,000 for a six month term under 18 October 2020 contract.

Pursuant to agreements dated 11 June 2020 and 18 October 2020, the Company retained MIQ for services including digital media campaigns for branding, media consulting, multimedia services. The Company paid \$150,000 for a two-month term under the 1 June 2020 contract and \$400,000 for a six month term under the 18 October 2020 contract and \$400,000 for a four month term under May 2021 agreement.

Pursuant to an amended and restated agreement dated 17 February 2021, the Company retained VSA Capital for services including provision for a research analyst to prepare a research initiation note for Ares, periodic update notes. The Company agreed to pay GBP 35,000 for 12 months term.

<b>Management fees</b> (rounded to the nearest '000)	<b>Year Ended</b> <b>30 September</b> <b>2021</b>	Year Ended 30 September 2020
	\$ 201,000	\$ 270,000
Variance	\$ (69,000)	-

The decrease in management fees mostly relates to a termination terms of management consulting contracts that were taken over as part of the Amalgamation transaction and obligations completed at the beginning of fiscal 2021.

<b>Transfer agent and filing fees</b> (rounded to the nearest '000)	<b>Year Ended</b> <b>30 September</b> <b>2021</b>	Year Ended 30 September 2020
	\$ 114,000	\$ 80,000
Variance	\$ 34,000	-

The increase in transfer agent and filing fees relates to increased share activities during the period 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.

<b>Fiscal Year Ended</b>	<b>Sep-21</b>	Sep-20	Sep-19
Total Revenues	\$ -	\$ -	-
Net Loss for the Year	\$ 3,650,182	\$ 2,226,346	\$ 636,558
Comprehensive Loss for the Year	\$ 3,706,230	\$ 2,215,990	\$ 636,521
Loss and Comprehensive Loss per Share (Basic and Diluted)	\$ (0.04)	\$ (0.05)	\$ (0.05)
Total Assets	\$ 13,406,696	\$ 5,248,500	\$ 2,290,631

**OUTSTANDING SHARES**

As at 30 September 2021, the Company had 106,790,832 common shares issued and outstanding; the fully diluted amount of 132,562,034 includes 9,149,500 options and 16,621,702 warrants outstanding.

As at the date of this report, the Company had 122,788,623 common shares issued and outstanding; the fully diluted amount of 137,081,071 includes 4,701,136 options and 9,591,312 warrants outstanding.



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**FINANCIAL POSITION AND LIQUIDITY**

As at 30 September 2021, the Company's financial instruments consist of cash, restricted cash, accounts payable 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 2021 and compares that to the fiscal 2020:

As at 30 September 2021, the Company had a working capital deficit of \$1,230,000 compared to a working capital deficit of \$139,000 as at 30 September 2020.

Cash used in operating activities during year ended 30 September 2021 totalled \$1,866,088 (30 September 2020: \$1,350,655).

Cash used in investing activities during the year ended 30 September 2021 totalled \$2,309,752 (30 September 2020: \$1,248,614).

Cash raised in financing activities during the year ended 30 September 2021 totalled \$5,073,395 (30 September 2020: \$2,845,334).



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**EXPLORATION AND EVALUATION ASSETS**

<b>EXPLORATION AND EVALUATION ASSETS</b>	<b>Spor Mountain</b>	<b>Liard Fluorspar</b>	<b>Vanadium Ridge</b>	<b>Jackpot Lake</b>	<b>Wilcox Playa</b>	<b>Ontario Properties</b>	<b>Total</b>
<b>Balance as at 1 October 2019</b>	\$ -	\$ -	\$ 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
Impairment	-	-	-	-	(649,900)	-	(649,900)
Adjustments on currency translation	37,698	-	-	-	-	-	37,698
<b>Balance as at 30 September 2020</b>	\$ 2,486,896	\$ 432,332	\$ 312,000	\$ 1,212,782	\$ -	\$ 4	\$ 4,444,014
Geological consulting	<b>1,482,286</b>	<b>38,200</b>	<b>7,250</b>	-	-	-	<b>1,527,736</b>
Acquisition	<b>1,432,137</b>	<b>7,234</b>	-	-	-	-	<b>1,439,371</b>
Administration and camp	<b>342,582</b>	<b>6,310</b>	-	<b>2,272</b>	-	-	<b>351,164</b>
Drilling	<b>165,250</b>	-	-	-	-	-	<b>165,250</b>
Staking and claiming	<b>133,838</b>	-	<b>8,330</b>	<b>111,321</b>	-	-	<b>253,489</b>
Adjustments on currency translation	<b>(79,849)</b>	-	-	-	-	-	<b>(79,849)</b>
<b>Balance as at 30 September 2021</b>	<b>\$ 5,963,140</b>	<b>\$ 484,076</b>	<b>\$ 327,580</b>	<b>\$ 1,326,375</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ 8,101,175</b>



## **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 2021. There have been no changes in levels during the period.

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

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

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

The Company's financial instruments include cash, accounts payable and short-term loans. As at 30 September 2021, 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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#### 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 2021, the Company held currency totalling the following:

CURRENCY	30 September 2021	30 September 2020
Canadian (Dollars)	\$ 834,204	\$ 218,114
US (Dollars)	\$ 240,909	\$ 1,242

#### 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 2021, the Company had a cash balance of \$1,051,149 to settle current liabilities of \$2,648,797 that are due within one year.

## 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 2021, 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 2021 and as at the date hereof.



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**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:

<b>RELATED PARTY DISCLOSURE</b>				<b>Amounts Payable and Accrued Liabilities</b>	
<b>Name and Principal Position</b>	<b>Year<sup>(i)</sup></b>	<b>Remuneration or fees<sup>(ii)</sup></b>	<b>Share-based payments</b>		
CEO and Director – Management fees	<b>2021</b>	<b>\$ 144,000</b>	<b>\$ 364,500</b>	<b>\$</b>	<b>21,100</b>
	2020	\$ 124,828	\$ 183,000	\$	113,078
CFO – Management fees	<b>2021</b>	<b>\$ 48,000</b>	<b>\$ 135,000</b>	<b>\$</b>	<b>4,000</b>
	2020	\$ 48,000	\$ 24,000	\$	770
CFO – Professional fees	<b>2021</b>	<b>\$ 60,589</b>	<b>\$ -</b>	<b>\$</b>	<b>10,519</b>
	2020	\$ 21,495	\$ -	\$	-
Directors – Director fees	<b>2021</b>	<b>\$ 4,250</b>	<b>\$ 405,000</b>	<b>\$</b>	<b>6,038</b>
	2020	\$ 12,000	\$ 78,000	\$	11,325
Directors – Consulting fees	<b>2021</b>	<b>\$ 89,000</b>	<b>\$ 337,500</b>	<b>\$</b>	<b>12,675</b>
	2020	\$ 100,500	\$ 102,000	\$	45,000
Former Director – Consulting fees	<b>2021</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$</b>	<b>-</b>
	2020	\$ 40,000	\$ -	\$	15,570
<b>Total</b>	<b>2021</b>	<b>\$ 345,839</b>	<b>\$ 1,242,000</b>	<b>\$</b>	<b>54,332</b>
	2020	\$ 346,823	\$ 387,000	\$	185,923

(i) For the years ended 30 September 2021 and 2020.

(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.

**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.

**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:





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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 fluorospar 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;
- 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;



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- Management's determination that there is no material restoration, rehabilitation, and environmental exposure, based on the facts and circumstances that existed during the period.

### 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