

2021

Ares Strategic Mining Inc.

Consolidated Financial Statements

For the Years Ended 30 September 2021 and 2020

Stated in Canadian Dollars

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Ares Strategic Mining Inc.:

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

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

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

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

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

"James Walker"

James Walker, CEO

"Viktoriya Griffin"

Viktoriya Griffin, CFO

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Ares Strategic Mining Inc.

Opinion

We have audited the consolidated financial statements of Ares Strategic Mining Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 27, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30 September 2021	As at 30 September 2020
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 1,051,149	\$ 219,770
Restricted cash	(11)	90,000	-
Amounts receivable	(8)	43,305	12,831
Prepaid amounts and other assets		234,506	309,585
		1,418,960	542,186
Non-current Assets			
Deposits	(10)	97,629	72,181
Capital advances	(9)	3,551,000	-
Property and equipment	(11)	237,932	190,119
Exploration and evaluation assets	(12)	8,101,175	4,444,014
		11,987,736	4,706,314
		\$ 13,406,696	\$ 5,248,500
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(15)	\$ 452,197	\$ 617,699
Short-term loans	(13)	2,196,600	63,355
		2,648,797	681,054
EQUITY			
Equity Attributable to Shareholders			
Share capital	(14)	31,430,607	22,467,660
Subscriptions received	(14)	1,050	-
Options - Contributed surplus	(14)	2,417,500	1,152,500
Warrants - Contributed surplus	(14)	1,937,270	2,269,584
Accumulated other comprehensive income ("OCI")		(45,655)	10,393
Deficit		(23,759,558)	(20,108,460)
		11,981,214	5,791,677
Non-controlling interests	(14)	(1,223,315)	(1,224,231)
Total Equity		10,757,899	4,567,446
		\$ 13,406,696	\$ 5,248,500

Nature of operations and going concern	(1)	Capital management	(17)
Basis of preparation – Statement of Compliance	(2)	Commitment	(18)
Related party transactions and obligations	(15)	Subsequent events	(20)

The Consolidated Financial Statements were approved by the Board of Directors on 27 January 2022 and were signed on its behalf by:

"Paul Sarjeant"

Paul Sarjeant, Director

"Karl Marek"

Karl Marek, Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Note	Year Ended 30 September 2021	Year Ended 30 September 2020
General and Administrative			
Stock-based compensation	(14)	\$ 1,468,000	\$ 524,000
Office and marketing		1,445,696	424,473
Professional fees		268,621	193,154
Management fees	(15)	201,250	269,828
Transfer agent and filing fees		113,704	80,385
Insurance		31,328	11,393
Depreciation	(11)	29,340	11,617
Shareholder relations		29,221	9,924
Resource property expenses		10,702	8,978
Bank charges and interest expense		5,021	9,170
Travel		2,905	10,466
		(3,605,788)	(1,553,388)
Other Expenses			
Impairment of exploration and evaluation assets	(12)	-	(649,900)
Foreign exchange loss		(44,394)	(23,058)
Net Loss for the Year		(3,650,182)	(2,226,346)
Other Comprehensive Income (Loss)			
Foreign operations – foreign exchange		(56,048)	10,356
Comprehensive Loss for the Year		\$ (3,706,230)	\$ (2,215,990)
Net Income (Loss) Attributed to:			
Shareholders		(3,651,098)	(2,223,279)
Non-controlling interest		916	(3,067)
		\$ (3,650,182)	\$ (2,226,346)
Comprehensive Income (Loss) Attributed to:			
Shareholders		(3,707,146)	(2,212,923)
Non-controlling interest		916	(3,067)
		\$ (3,706,230)	\$ (2,215,990)
Basic and Diluted Loss per Share		\$ (0.04)	\$ (0.05)
Weighted Average Shares Outstanding		94,263,190	47,817,706



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity attributable to shareholders

	Shares	Share capital	Subscriptions received	Options	Warrants	Accumulated OCI	Deficit	Total Shareholders Equity	Equity attributable to NCI	Total
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
BALANCE AS AT 1 OCTOBER 2019	13,563,375	18,461,617	53,000	628,500	1,446,671	37	(17,885,181)	2,704,644	(1,221,164)	1,483,480
Units issued for private placement	39,978,712	2,667,959	(13,000)	-	530,338	-	-	3,185,297	-	3,185,297
Units issued on Amalgamation (Note 6)	14,184,560	995,306	-	-	139,459	-	-	1,134,765	-	1,134,765
Shares issued for property (Note 12(b))	5,000,000	400,000	-	-	-	-	-	400,000	-	400,000
Units issued for liability settlement	3,825,384	323,122	(40,000)	-	21,773	-	-	304,895	-	304,895
Units issued for promissory note	1,312,320	85,643	-	-	19,343	-	-	104,986	-	104,986
Share issuance cost	353,550	(465,987)	-	-	112,000	-	-	(353,987)	-	(353,987)
Stock-based compensation	-	-	-	524,000	-	-	-	524,000	-	524,000
Other comprehensive income	-	-	-	-	-	10,356	-	10,356	-	10,356
Net loss for the year	-	-	-	-	-	-	(2,223,279)	(2,223,279)	(3,067)	(2,226,346)
BALANCE AS AT 30 SEPTEMBER 2020	78,217,901	22,467,660	-	1,152,500	2,269,584	10,393	(20,108,460)	5,791,677	(1,224,231)	4,567,446
Shares issued for private placement, net	3,645,000	1,762,497	-	-	13,000	-	-	1,775,497	-	1,775,497
Shares issued for capital advances (Note 9)	5,300,000	3,551,000	-	-	-	-	-	3,551,000	-	3,551,000
Stock-based compensation	-	-	-	1,468,000	-	-	-	1,468,000	-	1,468,000
Shares issued for debt settlement	713,468	250,288	-	-	-	-	-	250,288	-	250,288
Shares issued to ASM management	600,000	174,000	-	-	-	-	-	174,000	-	174,000
Shares issued upon exercises of warrants	15,163,963	2,672,612	1,050	-	(345,314)	-	-	2,328,348	-	2,328,348
Shares issued upon exercises of options	3,150,500	552,550	-	(203,000)	-	-	-	349,550	-	349,550
Other comprehensive income	-	-	-	-	-	(56,048)	-	(56,048)	-	(56,048)
Net income (loss) for the year	-	-	-	-	-	-	(3,651,098)	(3,651,098)	916	(3,650,182)
BALANCE AS AT 30 SEPTEMBER 2021	106,790,832	31,430,607	1,050	2,417,500	1,937,270	(45,655)	(23,759,558)	11,981,214	(1,223,315)	10,757,899

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year Ended 30 September 2021	Year Ended 30 September 2020
OPERATING ACTIVITIES			
Loss for the Year		\$ (3,650,182)	\$ (2,226,346)
Items not Affecting Cash			
Impairment of exploration and evaluation assets	(12)	-	649,900
Depreciation	(11)	29,340	11,617
Stock-based compensation	(14)	1,468,000	524,000
Shares issued for liabilities		250,288	-
Interest on short-term loan		-	2,829
		(1,902,554)	(1,038,000)
Net Change in Non-cash Working Capital			
Accounts payable and accrued liabilities		40,664	(52,447)
Amounts receivable		(30,474)	82,144
Prepaid amounts and other assets		75,079	(342,352)
Long-term deposits		(25,448)	-
Loans		(23,355)	-
		(1,866,088)	(1,350,655)
INVESTING ACTIVITIES			
Equipment purchase	(11)	(77,176)	(126,736)
Amalgamation transaction costs	(6)	-	(98,159)
Cash acquired upon amalgamation	(6)	-	756
Resource property – acquisition	(12)	(165,271)	(31,000)
Resource property - expenditures	(12)	(2,067,305)	(993,475)
		(2,309,752)	(1,248,614)
FINANCING ACTIVITIES			
Proceeds from warrants exercised		2,327,298	-
Proceeds from options exercised		349,550	-
Proceeds from private placement		1,822,500	3,185,297
Subscriptions received		1,050	-
Short-term loans received	(13)	20,000	40,000
Short-term loans paid		-	(25,976)
Share issuance cost		(47,003)	(353,987)
Due to related parties		600,000	-
		5,073,395	2,845,334
Net effect of foreign currency translation		23,824	(27,079)
Net Increase in cash and cash equivalents		921,379	218,986
Cash and cash equivalents – Beginning of Year		219,770	784
Cash and cash equivalents – End of Year		\$ 1,141,149	\$ 219,770

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

	Year Ended		Year Ended
	30 September		30 September
	2021		2020
Cash Position comprised of:			
Restricted cash	\$ 90,000	\$	-
Cash and cash equivalents	\$ 1,051,149	\$	219,770
Supplementary Disclosure of Cash Flow Information:			
Shares issued for capital advances (Note 9)	5,300,000		-
Units issued for Amalgamation (Note 6)	600,000		1,134,765
Warrants issued to agents	51,000		112,000
Warrants issued for debt settlement	-		344,895
Shares issued for promissory note	-		104,986
Interest paid	-		53,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Ares Strategic Mining Inc. (“Ares” or the “Company”), was incorporated pursuant to the Company Act (Ontario) by registration of its Memorandum and Articles on 20 November 2009. On 9 July 2010, the Company registered in British Columbia for extra provincial registration as the Company’s administrative office is located at 1001-409 Granville Street, Vancouver BC, V6C 1T2. The Company is classified as a Junior Natural Resource Mining Company and is listed on the Canadian Securities Exchange under the stock symbol “ARS”.

The Company was previously in the business of acquiring and exploring lithium properties in Nevada and Arizona. On 18 February 2020, the Company completed a three-cornered amalgamation transaction (the “Amalgamation”) with American Strategic Minerals Inc. (“ASM”) (Note 6). As a result, Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

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

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

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

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

(Rounded 000's)	30 September 2021	30 September 2020
Working capital (deficit) :	\$ (1,230,000)	\$ (139,000)
Accumulated deficit attributed to shareholders :	\$ 23,760,000	\$ 20,108,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

2) Basis of preparation – Statement of Compliance

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

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

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

3) Summary of significant accounting policies

a) Basis of presentation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

b) Foreign currency

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

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

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

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

c) Cash and cash equivalents

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

d) Marketable securities

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

e) Property and equipment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

Subsequent costs

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

Impairment

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

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

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

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

Reversal of impairment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

f) Exploration and evaluation assets

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

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

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

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

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

g) Provision for reclamation and remediation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

h) Provisions

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

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

i) Income Taxes

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

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

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

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

j) Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

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

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

k) Share capital

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

l) Share-based payments

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

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

m) Loss per share

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

n) Comprehensive income (loss)

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

4) New accounting standards

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

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

Onerous contracts – Cost of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB amended IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that for assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental cost of fulfilling that contract and an allocation of other costs that relates directly to fulfilling the contract.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

Definition of Accounting Estimates – Amendments to IAS 8

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

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

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

5) Critical accounting judgements and key sources of estimation uncertainty

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

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

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

a. Judgements

i. Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

b. Estimates

i. Going concern evaluation

As discussed on Note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

ii. Exploration evaluation assets

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

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

iii. Covid-19

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

iv. Stock-based compensation

The company uses Black-Scholes Option Pricing Model for valuation of stock options. Option pricing models require the input of subjective assumptions and estimates including expected price volatility, interest rate and forfeiture rate.

6) Acquisition transaction ("Amalgamation")

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

During the year ended 30 September 2021, the Company issued 600,000 shares (300,000 to each director) to the directors of ASM pursuant to an agreement between ASM and its directors where it was agreed that post any share consolidation, amalgamation, or any other event that would alter the then existing outstanding shares of ASM, each director would be issued 300,000 shares. The shares were valued at \$174,000 based on the fair market value as of the date of issuance and this was recorded to Exploration & Evaluation assets during the year ended 30 September 2021.

7) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Consolidated Statement of Financial Position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 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 and cash equivalents, accounts payable, short-term loans and long-term loans. As at 30 September 2021, the carrying value of cash and cash equivalents is at fair value. Accounts payable and short-term loans approximate their fair value due to their short-term nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

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

e) Interest rate risk

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

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk. As at 30 September 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 \$1,318,363 that are due within one year.

8) Amounts receivable

Amounts receivable consists of:

AMOUNTS RECEIVABLE	30 September 2021	30 September 2020
Goods and services tax receivable	\$ 43,305	\$ 12,831

As at 30 September 2021, amounts receivable consists only of goods and services tax receivable of \$43,305 and is not subject to significant collection risk.

9) Capital advances

During the year ended 30 September 2021, the Company entered into an agreement to acquire a fluorspar lump manufacturing facility (the "Facility") pursuant to the terms and conditions of a Profit-Sharing Agreement dated 9 February 2021, as amended (the "Profit Sharing Agreement") between the Company and the Mujim Group, a non-arm's length private Shanghai company ("Mujim"). Pursuant to the terms of the Profit-Sharing Agreement, the Company agreed to acquire the Facility by issuing an aggregate of 5,300,000 common shares in the capital of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Company (each, a “Share”), the fair value of which was determined based on the date when they were issued, i.e. \$0.67, and the transfer has been treated as a capital advance to Mujim until the Facility is ready for use. Upon completion of the facility, the Company has agreed to incur costs pertaining to the installation of the Facility, including compensating contractors from Mujim to assist with installation and to begin operating the Facility. Furthermore, once the Facility is operational within parameters and specifications defined in the Profit Sharing Agreement, the company will pay Mujim, US\$20 per ton for ongoing technical support, and has also agreed to pay Mujim, US\$10 per ton as agency fee for any sales in Asia.

The final purchase price may vary depending on certain target production output metrics defined in the Profit Sharing agreement.

10) Deposits

Deposits consist of:

	30 September	30 September
DEPOSITS	2021	2020
Office lease	\$ 2,912	\$ 2,912
Surety deposits	94,717	69,269
	\$ 97,629	\$ 72,181

As at 30 September 2021, the balance in deposits of \$2,912 (2020 - \$2,912) represents a deposit for office lease and reclamation surety and bond in the amount of \$94,717 (2020 - \$69,269) paid to the State of Utah for a five-year escalation at Lost Sheep and Bell Hill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

11) Property and equipment

PROPERTY AND EQUIPMENT	Equipment	Auto	Land	Total
COST				
Balance as at 1 October 2019	\$ -	\$ -	\$ 75,000	\$ 75,000
Addition	126,736	-	-	126,736
Balance as at 30 September 2020	126,736	-	75,000	201,736
Addition	10,605	66,571	-	77,176
Foreign Exchange	-	(23)	-	(23)
Balance as at 30 September 2021	\$ 137,341	\$ 66,548	\$ 75,000	\$ 278,889
DEPRECIATION				
Balance as at 1 October 2019	\$ -	\$ -	\$ -	\$ -
Depreciation for the year	11,617	-	-	11,617
Balance as at 30 September 2020	11,617	-	-	11,617
Depreciation for the year	26,590	2,750	-	29,340
Balance as at 30 September 2021	\$ 38,207	\$ 2,750	\$ -	\$ 40,957
CARRYING AMOUNTS				
Balance as at 1 October 2019	\$ -	\$ -	\$ 75,000	\$ 75,000
Balance as at 30 September 2020	\$ 115,119	\$ -	\$ 75,000	\$ 190,119
Balance as at 30 September 2021	\$ 99,134	\$ 63,798	\$ 75,000	\$ 237,932

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

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

During the year ended 30 September 2021, the Company purchased a new truck, which was financed through the loan in the amount of \$60,000, and collateral in the form of non-redeemable investment in the amount of \$90,000 in restricted cash.

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

Land comprises five Canadian properties located in Ontario, Canada (Note 12(f)). The Company earns revenues from sale of quarry rock located on this property. These revenues are offset against maintenance payments made on the property, and are included within the resource property expense on the consolidated statement of loss and comprehensive loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

12) Exploration and evaluation assets

The following table summarizes exploration and evaluation assets:

EXPLORATION AND EVALUATION ASSETS	Spor Mountain	Liard Fluorspar	Vanadium Ridge	Jackpot Lake	Wilcox Playa	Ontario Properties	Total
Balance as at 1 October 2019	\$ -	\$ -	\$ 312,000	\$ 1,212,782	\$ 647,892	\$ 4	\$ 2,172,678
Acquisition	-	431,000	-	-	-	-	431,000
Acquired upon Amalgamation	1,459,064	-	-	-	-	-	1,459,064
Drilling	696,806	-	-	-	-	-	696,806
Geological consulting	260,452	-	-	-	-	-	260,452
Other	32,876	1,332	-	-	2,008	-	36,216
Impairment	-	-	-	-	(649,900)	-	(649,900)
Adjustments on currency translation	37,698	-	-	-	-	-	37,698
Balance as at 30 September 2020	\$ 2,486,896	\$ 432,332	\$ 312,000	\$ 1,212,782	\$ -	\$ 4	\$ 4,444,014
Geological consulting	1,482,286	38,200	7,250	-	-	-	1,527,736
Acquisition	1,432,137	7,234	-	-	-	-	1,439,371
Administration and camp	342,582	6,310	-	2,272	-	-	351,164
Drilling	165,250	-	-	-	-	-	165,250
Staking and claiming	133,838	-	8,330	111,321	-	-	253,489
Adjustments on currency translation	(79,849)	-	-	-	-	-	(79,849)
Balance as at 30 September 2021	\$ 5,963,140	\$ 484,076	\$ 327,580	\$ 1,326,375	\$ -	\$ 4	\$ 8,101,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

a) Spor Mountain (also known as 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.

b) Liard Fluorspar

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

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

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

c) Vanadium Ridge

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

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

d) Jackpot Lake property

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

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

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

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

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

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

As at 30 September 2021, the claims comprising the Jackpot Lake property lapsed due to an administrative oversight. Subsequent to 30 September 2021, the Company has been working with the Bureau of Land Management and has filed the required documents to re-activate the claims.

e) Willcox Playa property

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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

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

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

f) Ontario properties

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

13) Short-term loans

The following is a summary of the Company's short-term loans as at 30 September 2021 and 2020:

SHORT-TERM LOANS	Year	Outstanding Principal	Interest and Financing Fees	Total
Loan from Clearwater Group Inc.	2021	\$ 1,274,100	\$ -	\$ 1,274,100
	2020	22,507	-	22,507
Operational loans from related parties	2021	862,500	-	862,500
	2020	-	-	-
Canada Emergency Business Account loan	2021	60,000	-	60,000
	2020	40,000	-	40,000
\$11,000 loan from the former CEO of ASM, director	2021	-	-	-
	2020	-	848	848
Total as at 30 September 2021	2021	\$ 2,196,600	\$ -	\$ 2,196,600
Total as at 30 September 2020	2020	\$ 62,507	\$ 848	\$ 63,335

On 30 August 2019, the Company received an interest-bearing loan of \$11,000 from the former CEO of ASM. The loan was secured by the assets of the Company, subject to interest at one percent per month compounded and was payable in full on 30 September 2020. As at 30 September 2020, the principal of \$11,000 had been repaid through the issuance of the Company's common shares ((Note 12)b).

During the year ended 30 September 2021, the Company received advances of \$600,000 from unrelated parties in connection with a proposed share issuance. The Company did not proceed with the share issuances and the advances received were subsequently assumed by the Company's related parties who transferred issued and outstanding common shares of the company owned by them to the unrelated parties. The same related parties of the Company have settled the Company's outstanding liabilities to these unrelated parties in the amount of \$262,500 for services rendered. There were no terms and conditions attached with these amounts due to related parties. Subsequent to the year-end, the debt with related parties was settled (Note 20).

Ares assumed a revolving loan payable of \$20,923 (US\$16,873) from ASM on 18 February 2020 through the Amalgamation (Note 6). Clearwater Group Inc. ("Clearwater") provided the Company with a revolving credit facility of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

up to a maximum of US\$50,000. The revolving credit facility is unsecured and non-interest bearing. In return for this credit facility, Ares is to pay to Clearwater a financing charge of 20%, net of royalties, of all sales from the ore production of the Lost Sheep project as long as the credit facility is being used. As at 30 September 2021, the revolving loan in the amount of US\$16,873 owing to Clearwater has been repaid.

During the year ended 30 September 2021, Clearwater paid US\$1,000,000 on behalf of the Company in connection with the Purchase Agreement for certain unpatented mining claims related to the Company's Spor Mountain property (Note 12(a)). As of 30 September, 2021, the amount is unsecured, non-interest bearing, and had no fixed terms of repayment. Subsequent to 30 September 2021, the Company and Clearwater entered into a convertible debenture agreement subject to regulatory approval (Note 20).

During the year ended 30 September 2021, the Company received a Canada Emergency Business Account loan of \$20,000 (30 September 2020 - \$40,000) from the Government of Canada. The amount is non-interest bearing and the Company will receive a \$20,000 loan forgiveness upon repayment, provided it is repaid in full on or before 31 December 2022.

14) Share capital

a) Authorized:

Unlimited common shares without par value.

b) Issued or allotted and fully paid:

During the year ended 30 September 2021:

	Number of Shares	Amount
Balance as at 1 October 2020	78,217,901	22,467,660
Shares issued for private placement	3,645,000	1,762,497
Shares issued for debt settlement	713,468	250,288
Shares issued as part of Amalgamation (Note 6)	600,000	174,000
Shares issued as part of the capital advances (Note 9)	5,300,000	3,551,000
Shares issued upon exercise of warrants	15,163,963	2,672,612
Shares issued upon exercise of options	3,150,500	552,550
Balance as 30 September 2021	106,790,832	31,430,607

During the year ended 30 September 2021:

- The Company issued 3,645,000 common shares at a price of \$0.50 per common share for gross proceeds of \$1,822,500. Share issuance costs paid were in the amount of \$47,003 as finder's and consulting fees. In addition, the Company issued 51,000 finder's warrants valued \$13,000. Each finder's warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.50 for a period of 24 months.
- The Company settled debt of \$250,288 through the issuance of 713,468 common shares to certain creditors.
- The Company issued 600,000 common shares as part of the Amalgamation agreement (Note 6).
- The Company issued 15,163,963 common shares upon the exercise of warrants for gross proceeds of \$2,327,298.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

- The Company issued 3,150,500 common shares upon the exercise of stock options for gross proceeds of \$349,550.

During the year ended 30 September 2020:

Shares issued for private placement:

- On 15 July 2020, the Company issued 625,000 units pursuant to a non-brokered private placement at a price of \$0.08 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- On 15 June 2020, the Company completed a non-brokered private placement of 14,177,725 units at a price of \$0.08 per unit for gross proceeds of \$1,134,218. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- On 18 February 2020, the Company issued 500,000 units pursuant to a non-brokered private placement at a price of \$0.08 per unit for gross proceeds of \$40,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- On 14 February 2020, the Company issued 22,175,987 units at a price of \$0.08 per unit for gross proceeds of \$1,774,079. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- On 3 January 2020, the Company completed a bridge financing, representing the funds required to satisfy the closing of transaction with ASM. The Company issued 2,500,000 units at a price of \$0.08 per unit for gross proceeds of \$200,000, out of which \$13,000 received during the year ended 30 September 2019. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- On 20 August 2020, the Company settled debt of \$14,100 through the issuance of 141,000 common shares.
- On 2 March 2020, the Company settled debt of \$180,223 through the issuance of an aggregate of 1,802,230 common shares. Of the common shares issued, 400,000 related to settlement of financing fees incurred during the year ended 30 September 2019, where 150,000 were issued to the former Director of the Company and 1,384,730 common shares were issued to the former CEO of ASM and former Director of the Company.
- On 14 February 2020, the Company settled an aggregate of \$150,572 of debt with certain creditors through the issuance of an aggregate of 1,882,154 common shares and 738,577 share purchase warrants to certain creditors. Of the common shares issued, 466,250 common shares were issued to current and related parties. Each warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.
- In connection with the shares issued for cash, the Company issued 353,550 common shares and 3,258,295 warrants to certain finders and consultants as finders' fees. The Company agreed to pay finders' fees ranging from 7% to 8.5% of the gross proceeds raised by the consultants and finders, and issue finder's warrants ranging from 7% to 8.5% of the number of units issued. Each finder's warrant is exercisable by the holder thereof into one common share of the Company at a price of \$0.15 for a period of 24 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

c) Summary of stock option activity

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

Stock option activity during the years ended 30 September 2021 and 2020 is as follows:

STOCK OPTION ACTIVITY	30 September		30 September	
	2021	Weighted Average Exercise Price	2020	Weighted Average Exercise Price
Balance – Beginning of Year	6,850,000	\$ 0.44	160,000	\$ 1.28
Issued	5,450,000	0.62	6,100,000	0.12
Exercised	(3,150,500)	0.11	-	-
Issued upon Amalgamation	-	-	600,000	0.10
Expired	-	-	(10,000)	-
Balance – End of Year	9,149,500	\$ 0.44	6,850,000	\$ 0.14

Details of stock options outstanding as at 30 September 2021 and 30 September 2020 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 September 2021	30 September 2020
25 January 2017	24 January 2022	\$ 1.30	150,000	150,000
9 March 2020	8 March 2022	\$ 0.10	1,399,500	2,800,000
30 August 2020	30 August 2022	\$ 0.13	2,150,000	3,300,000
18 February 2020	1 September 2022	\$ 0.10	-	300,000
18 February 2020	1 November 2022	\$ 0.10	-	300,000
19 May 2021	19 May 2023	\$ 0.62	5,450,000	-
			9,149,500	6,850,000

As at 30 September 2021, the outstanding options have a weighted average remaining life of 1.26 years (2020 – 1.71 years) and a weighted average exercise price of \$0.44 (2020 - \$0.14). All of the outstanding options have vested and are exercisable.

During the year ended 30 September 2021:

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

Not included in the above-noted stock options are the compensation options resulting from a private placement tranche that closed on 12 October 2016. Each compensation option is exercisable into one unit, which consists of one common share and one common share purchase warrant for a period of five years from the date of issuance (12 October 2021). Each warrant can be exercised into one common share of the Company at a price of \$2.00 per share before the expiry. These options were not exercised and expired subsequent to the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

d) Warrants

Warrant activity during the nine months ended 30 September 2021 and 2020 are as follows:

WARRANT ACTIVITY	30 September 2021	Weighted Average Exercise Price	30 September 2020	Weighted Average Exercise Price
Balance – Beginning of Year	31,734,665	\$ 0.15	1,500,000	\$ 2.00
Issued	51,000	0.50	31,734,665	0.15
Exercised	(15,163,963)	0.15	-	-
Expired	-	-	(1,500,000)	2.00
Balance – End of Year	16,621,702	\$ 0.15	31,734,665	\$ 0.15

During the year ended 30 September 2021:

Details of warrants outstanding as at 30 September 2021 and 30 September 2020 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 September 2021	30 September 2020
3 January 2020	3 January 2022	\$ 0.15	31,250	1,250,000
13 February 2020	13 February 2022	\$ 0.15	9,609,726	13,352,072
14 February 2020	14 February 2022	\$ 0.15	1,021,729	1,394,737
18 February 2020	18 February 2022	\$ 0.16	1,821,873	7,092,277
15 June 2020	15 June 2022	\$ 0.15	4,086,124	8,645,579
17 March 2021	17 March 2023	\$ 0.50	51,000	-
			16,621,702	31,734,665

As at 30 September 2021, the outstanding warrants have a weighted average remaining life of 0.46 years and a weighted average exercise price of \$0.15 (2020 - \$0.15).

The fair value of the finders' warrants issued and recognized in the accounts has been estimated using the Black-Scholes Model assuming no expected dividends, volatility of 77%, expected life of 2 years, and a risk-free rate of 0.31%. Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

e) Share-based payments

During the year ended 30 September 2021, the Company granted 5,450,000 (30 September 2020 - 6,100,000) incentive stock options to its directors, officer, and consultants and recognized share-based payments as follows:

	30 September 2021	30 September 2020
Total Options Granted	5,450,000	6,100,000
Average exercise price	\$ 0.62	\$ 0.14
Estimated fair value of compensation	\$ 1,468,000	\$ 524,000
Estimated fair value per option	\$ 0.30	\$ 0.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The fair value of the share-based payments of options to be recognized in the accounts has been estimated using the Black-Scholes Model with the following weighted-average assumptions:

	30 September 2021	30 September 2020
Risk free interest rate	0.33%	0.26-0.66%
Expected stock price volatility	81%	86%-93%
Expected option life in years	2.00	1.44-1.92

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

f) Non-controlling interest

On 16 October 2014, the Company entered into an investment agreement with OMC Investments Limited ("OMC"), of Hong Kong. The transaction closed on 28 November 2014, and the Company issued 19,048,000 units of the Company by way of private placement at a price of \$0.05 per unit, for aggregate proceeds of \$952,400. After the 20-for-1 share consolidation during the year ended 30 September 2018, OMC owns 952,400 units. Each Unit consisted of one common share and one common share purchase warrant. Each Warrant is exercisable for a period of three years from the date of closing of the private placement at an exercise price of \$0.05. These warrants expired on 30 September 30 2018. OMC now holds approximately 5.93% of the issued and outstanding shares of the Company. The Company also issued 15 common shares of its subsidiary Canadian Iron to OMC, reducing its ownership share from 100% to 85%. Canadian Iron holds a 100% interest in Karas Iron and Griffith Iron. The Company's interests in the Karas and Griffith properties are held in Karas Iron and Griffith Iron, respectively.

In addition, the shareholders' agreement with OMC will allow OMC to progressively earn additional equity in Canadian Iron, up to a total of 70% of Canadian Iron's issued and outstanding shares, as follows:

- an additional 30% for \$8.2 million in funding from OMC for dewatering, resource drilling and environmental permitting ("Resource Definition Funding");
- an additional 5% for \$2 million in total funding for a preliminary economic assessment, funded 70% by OMC and 30% by Ares; and
- an additional 20% for \$20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Ares, and assuming the feasibility study establishes technical and economic viability.

Should either party not fully contribute its share of funding to both the preliminary economic assessment and feasibility study, it may face dilution.

In connection with this transaction, the Company has also agreed to enter into an option agreement with OMC on its other mineral properties. As of 30 September 2021, OMC has not entered into any option agreements related to the Company's other mineral properties. Should OMC fund the full \$8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papagonga properties. This may be increased to 90%, if within a five-year period after earning 80%, OMC funds an additional \$1.5 million in expenditures on the property chosen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The value attributed to the non-controlling interest in the Company as at 30 September 2021 is an accumulated deficit of \$1,223,315 (2020 - \$1,224,231). For the year ended 30 September 2021, net income and comprehensive income of \$916 (2020 – loss of \$3,067) has been attributed to the non-controlling interest in these Financial Statements.

15) Related party transactions and obligations

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

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

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

(i) For the year 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.

Short-term loans with related parties are described in (Note 13) and debt settlement with related parties is described in ((Note 12)d). There are no terms and conditions attached to the said loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

16) Segmented disclosure

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

(Rounded to 000's)	Canada	US	Total
30 September 2021			
Current Assets	\$ 1,406,000	\$ 13,000	\$ 1,419,000
Non-Current Assets			
Other non-current assets	3,823,000	64,000	3,887,000
Resource properties	4,451,000	3,650,000	8,101,000
Liabilities			
Current Liabilities	2,610,000	39,000	2,649,000
30 September 2020			
Current Assets	\$ 542,000	\$ -	\$ 542,000
Non-Current Assets			
Other non-current assets	262,000	-	262,000
Resource properties	2,327,000	2,117,000	4,444,000
Liabilities			
Current Liabilities	462,000	219,000	681,000

17) Capital management

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

18) Commitments

The Company entered into an agreement to extend the lease of the premises for another extension of 12 months commencing 1 July 2021 and expiring 30 June 2022. The Company's remaining annual minimum lease payments as at 30 September 2021 are shown below:

Fiscal 2022	14,334
Total	\$ 14,334

The Company has also committed to certain future payments as described in Notes (9) and (13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

19) Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian and USA statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended 30 September 2021 and 2020.

	30 September 2021	30 September 2020
Net loss before tax	\$ (3,650,182)	\$ (2,226,346)
Statutory tax rate	27.00% to 29.70%	27.00% to 29.70%
Expected income tax (recovery)	(986,000)	(601,000)
Permanent differences and other	378,000	(257,000)
Effect of changes in statutory tax rates	-	-
Change in deferred tax asset not recognized	608,000	858,000
Total income tax expense (recovery)	\$ -	\$ -

The unrecognized deductible temporary differences and deferred income tax assets as at 30 September 2021 and 2020 are comprised of the following:

	30 September 2021		30 September 2020	
	Temporary difference	Deferred income tax asset (liability)	Temporary difference	Deferred income tax asset (liability)
Non-capital losses carry-forwards	\$ 18,081,000	\$ 4,883,000	\$ 15,740,000	\$ 4,251,000
Exploration and evaluation assets	7,475,000	2,030,000	7,517,000	2,042,000
Capital losses	29,000	8,000	29,000	8,000
Financing costs	250,000	67,000	310,000	84,000
Property and equipment	139,000	38,000	123,000	33,000
Total unrecognized deductible temporary differences and deferred income tax assets	\$ 25,974,000	\$ 7,026,000	\$ 23,719,000	\$ 6,418,000

As at 30 September 2021, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of \$18,081,000 (2020 - \$15,739,000) in Canada and USA which may be carried forward to apply against future year's income tax for Canadian and USA income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2032	\$ 156,000
2033	1,591,000
2034	1,180,000
2036	8,593,000
2037	1,206,000
2038	871,000
2039	1,002,000
2040	1,170,000
2041	2,312,000
Total	\$ 18,081,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

20) Subsequent events

- a) The Company entered into consulting agreements related to marketing, totalling \$850,000 plus GST for a period of six months starting 20 November 2021.
- b) The Company signed an agreement with Imbue Capital Inc. (“Imbue”) for the purchase of a 50% interest in Vanadium Ridge Property. The Company will purchase from Imbue, a 30% beneficial and legal interest in and to the Vanadium Ridge Property, free and clear of all liens, security interests, mortgages, charges, encumbrances or other claims of any third party, whether registered or unregistered and whether arising by agreement, statute or otherwise, such that following the transaction, the company shall own a combined 50% beneficial and legal interest in and to the Vanadium Ridge Property. As part of the transaction, the Company issued to Imbue an aggregate of 3,000,000 common shares. Imbue has agreed to contribute, in cash or equipment, an aggregate of \$1,500,000 to the Vanadium Ridge Property, of which a minimum of \$1,000,000 must be made in cash (the “Imbue Cash Contribution”). The Company and Imbue agree that should the exploration of the Vanadium Ridge Property require any additional funding following the initial Imbue Cash Contribution, any such financial contribution shall be made equally by the parties.
- c) The Company settled an aggregate of \$19,426 of debt through the issuance of 56,974 common shares to certain creditors.
- d) The Company settled outstanding loans of \$892,500 (the “Debt Settlement”) assumed by related parties. Under the terms of the Debt Settlement, the Company issued 3,305,554 common shares in the capital of the Company.
- e) The Company issued 7,030,390 common shares pursuant to the exercise of warrants for gross proceeds of \$1,063,626.
- f) The Company issued 490,000 common shares upon the exercise of stock options for gross proceeds of \$62,500.
- g) The Company issued 2,114,873 common shares pursuant to a non-brokered private placement at a price of \$0.38 per share for gross proceeds of \$803,652. All shares issued are subject to a statutory hold period expiring on the date that is four months and one day after the date of issuance.
- h) The Company acquired exclusive right and access to develop the Campbell-Croster fluorspar Kentucky project for initial payment of US\$25,000 and agreement to pay the previous owners a production royalty of \$1 per ton of minerals mined from the historic resource and a 5% NSR on further extracted minerals.
- i) The Company granted stock options under the Company’s stock option plan to purchase 2,241,636 common shares of the Company at a price of \$0.31 per share for a two year term expiring on 15 December 2023.
- j) The Company cancelled an aggregate of 6,200,000 stock options comprising of 750,000 stock options previously granted on 30 August 2020 at an exercise price of \$0.15 and 5,450,000 stock options previously granted on 19 May 2021 at an exercise price of \$0.62 per option.
- k) The Company entered into an unsecured convertible agreement with Clearwater to settle the outstanding liability of US\$1,000,000 which was advanced by Clearwater in connection with the Purchase Agreement (Note 12(a)). The outstanding liability will be settled in exchange for an unsecured convertible debenture in the amount of \$1,250,000 (CAD) (“Debenture”). The Debenture bears interest at a rate of 5% per annum, accruing interest from 15 May 2021, and is convertible into units (each, a “Unit”) at a price per Unit equal to the closing price of the common shares (each, a “Share”) of the Company on the day prior to the date of conversion. Each Unit is comprised of one Share and one-half of one Share purchase warrant (each, a “Warrant”), with each



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

whole Warrant entitling the holder thereof to purchase one additional Share (each, a “Warrant Share”) at an exercise at a premium to the market price per Share as follows: 25% premium on a Share price up to \$0.50; 20% premium on a Share price between \$0.51 and \$2.00; and 15% premium on a Share price above \$2.01.

Each Warrant entitles the holder, on exercise, to purchase one Share for a period of two years following the signing date of the Debenture agreement. Any securities issuable upon their due conversion are subject to a statutory hold period expiring on the date that is four months and one day after the date of issue. The Debenture is subject to regulatory approval.