

**2023**

# **Ares Strategic Mining Inc.**

**Consolidated Financial Statements**

**For the Years Ended 30 September 2023 and 2022**

**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 the Company'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 Audit Committee, and management to discuss their audit findings.

*"James Walker"*

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James Walker, CEO

*"Viktoriya Griffin"*

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Viktoriya Griffin, CFO

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**INDEPENDENT AUDITORS' REPORT**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

**Material Uncertainty Related to Going Concern**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, the key audit matter to be communicated in our auditors' report is as follows:

**Assessment of Impairment Indicators on Construction in Progress**

We draw attention to Notes 3, 6 and 10 of the Financial Statements. As of September 30, 2023, the carrying amount of the construction in progress was \$4,346,009. The Company's construction in progress is reviewed for impairment at each reporting period.

We identified the assessment of impairment indicators on construction in progress as a key audit matter due to the significance of the construction in progress and the judgements made by management in their assessment of impairment indicators related construction in progress. This in turn led to additional auditor judgment, subjectivity, and significant effort in performing audit procedures to evaluate evidence relating to judgments made by management.

Our audit response to the key audit matter was as follows:

- We evaluated management's assessment of impairment indicators;
- We reviewed the Company's recent expenditure activity and expenditure budgets for future periods;
- We assessed the Company's ability and plans to continue with the construction of the assets based on the Company's available funds, funds secured subsequent to year-end, and the Company's history of raising funds through equity or debt instruments; and
- We evaluated the Company's intent to continue with the construction of the assets through discussion and communication with management, review of Board of Directors minutes and reading press releases.

### **Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management 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 audit 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
December 29, 2023

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30 September 2023	As at 30 September 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 467,086	\$ 44,144
Restricted cash	(20)	1,196,565	90,000
Amounts receivable	(7)	21,370	487,542
Marketable securities	(13)	170,848	385,954
Prepaid amounts and other assets		290,412	250,993
		<b>2,146,281</b>	<b>1,258,633</b>
<b>Non-current Assets</b>			
Deposits	(11)	103,940	104,475
Capital advances	(8)	-	770,493
Construction in progress	(9)	4,346,009	4,289,982
Property and equipment	(11)	2,919,078	225,361
Exploration and evaluation assets	(12)	7,960,144	9,484,946
		<b>15,329,171</b>	<b>14,875,257</b>
		<b>\$ 17,475,452</b>	<b>\$ 16,133,890</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(17)	\$ 656,618	\$ 762,321
Short-term loans	(14)	385,690	296,500
Convertible debentures – liability	(15)	713,865	-
USDA loan payable – current portion	(20)	821,960	-
		<b>2,578,133</b>	<b>1,058,821</b>
<b>Non - current Liabilities</b>			
USDA loan payable	(20)	4,679,089	-
		<b>7,257,222</b>	<b>1,058,821</b>
<b>EQUITY</b>			
<b>Equity Attributable to Shareholders</b>			
Share capital	(16)	39,587,384	39,333,031
Options - Contributed surplus	(16)	1,929,500	2,540,308
Warrants - Contributed surplus	(16)	1,531,855	1,511,855
Accumulated other comprehensive income		139,187	78,111
Deficit		(31,746,241)	(27,162,989)
		<b>11,441,685</b>	<b>16,300,316</b>
<b>Non-controlling interests</b>	(16)	<b>(1,223,455)</b>	<b>(1,225,247)</b>
<b>Total Equity</b>		<b>10,218,230</b>	<b>15,075,069</b>
		<b>\$ 17,475,452</b>	<b>\$ 16,133,890</b>

Nature of operations and going concern	(1)	Capital management	(19)
Basis of preparation – Statement of Compliance	(2)	Commitment	(21)
Related party transactions and obligations	(17)	Subsequent events	(23)

The Consolidated Financial Statements were approved by the Board of Directors on 29 December 2023 and were signed on its behalf by:

**“Paul Sarjeant”**

Paul Sarjeant, Director

**“Michael Li”**

Michael Li, Director



**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Note	Year Ended 30 September 2023	Year Ended 30 September 2022
<b>General and Administrative</b>			
Stock-based compensation	(16)(17)	\$ 1,301,000	\$ 1,969,808
Professional fees	(17)	737,967	851,037
Office and marketing		381,040	1,033,509
Interest and accretion		346,438	51,230
Bank charges and interest expense	(20)	266,298	5,671
Management fees	(17)	193,250	194,250
Transfer agent and filing fees		71,616	63,463
Foreign exchange loss (gain)		51,590	(30,452)
Insurance		44,339	49,739
Shareholder relations		41,295	3,074
Depreciation	(11)	41,115	40,708
Travel		2,539	2,494
Resource property expenses (income)		(829)	20,016
		<b>(3,477,658)</b>	<b>(4,254,547)</b>
<b>Other Income/(Expenses)</b>			
Gain/(Loss) on disposition of exploration and evaluation assets	(12)	228,873	(229,785)
Rental income		32,544	-
Gain on sale of marketable securities	(13)	21,618	-
Loss on revaluation of marketable securities	(13)	(228,685)	(184,587)
Deposits written off	(8)	(1,250,000)	-
Loss on settlement of liability	(14)	-	(294,444)
		<b>(4,673,308)</b>	<b>(4,963,363)</b>
<b>Income Taxes</b>			
Deferred income tax recovery	(22)	235,394	-
<b>Net Loss for the Year</b>		<b>(4,437,914)</b>	<b>(4,963,363)</b>
<b>Other Comprehensive Income (Loss)</b>			
Foreign operations – foreign exchange		61,076	123,766
<b>Comprehensive Loss for the Year</b>		<b>(4,376,838)</b>	<b>(4,839,597)</b>
<b>Net Income (Loss) Attributed to:</b>			
Shareholders		(4,439,706)	(4,961,431)
Non-controlling interest		1,792	(1,932)
		<b>(4,437,914)</b>	<b>(4,963,363)</b>
<b>Comprehensive Income (Loss) Attributed to:</b>			
Shareholders		(4,378,630)	(4,837,665)
Non-controlling interest		1,792	(1,932)
		<b>\$ (4,376,838)</b>	<b>\$ (4,839,597)</b>
<b>Basic and Diluted Loss per Share</b>		<b>\$ (0.03)</b>	<b>\$ (0.04)</b>
<b>Weighted Average Shares Outstanding</b>		<b>138,289,067</b>	<b>126,097,681</b>





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 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
Stock-based compensation	-	-	-	1,969,808	-	-	-	1,969,808	-	1,969,808
Shares issued for private placement, net	2,114,873	803,652	-	-	-	-	-	803,652	-	803,652
Shares issued for debt settlement	3,558,607	1,244,686	-	-	-	-	-	1,244,686	-	1,244,686
Shares issued upon conversion of convertible debentures	3,647,594	1,301,238	-	-	-	-	-	1,301,238	-	1,301,238
Stock options cancellation	-	-	-	(1,558,000)	-	-	1,558,000	-	-	-
Shares issued to asset acquisition	3,000,000	1,065,000	-	-	-	-	-	1,065,000	-	1,065,000
Shares issued upon exercises of warrants	15,507,419	2,767,288	(1,050)	-	(425,415)	-	-	2,340,823	-	2,340,823
Shares issued upon exercises of options	3,153,083	720,560	-	(289,000)	-	-	-	431,560	-	431,560
Net loss for the year	-	-	-	-	-	-	(4,961,431)	(4,961,431)	(1,932)	(4,963,363)
Other comprehensive income	-	-	-	-	-	123,766	-	123,766	-	123,766
BALANCE AS AT 30 SEPTEMBER 2022	137,772,408	39,333,031	-	2,540,308	1,511,855	78,111	(27,162,989)	16,300,316	(1,225,247)	15,075,069
Stock-based compensation	-	-	-	1,188,000	-	-	-	1,188,000	-	1,188,000
Shares issued for debt settlement	1,228,314	249,628	4,725	-	-	-	-	254,353	-	254,353
Assets transferred pursuant to spin out of Enyo	-	-	-	-	-	-	(1,941,006)	(1,941,006)	-	(1,941,006)
Transaction costs on spin out of Enyo	-	-	-	-	-	-	(114,348)	(114,348)	-	(114,348)
Agent warrants issued	-	-	-	-	20,000	-	-	20,000	-	20,000
Modification of options	-	-	-	113,000	-	-	-	113,000	-	113,000
Stock options cancellation	-	-	-	(1,911,808)	-	-	1,911,808	-	-	-
Other comprehensive income	-	-	-	-	-	61,076	-	61,076	-	61,076
Net loss for the year	-	-	-	-	-	-	(4,439,706)	(4,439,706)	1,792	(4,437,914)
BALANCE AS AT 30 SEPTEMBER 2023	139,000,722	39,582,659	4,725	1,929,500	1,531,855	139,187	(31,746,241)	11,441,685	(1,223,455)	10,218,230



ARES  
STRATEGIC MINING

## CONSOLIDATED STATEMENTS OF CASH FLOWS

ARES STRATEGIC MINING INC.

Canadian Dollars

	Note	Year Ended 30 September 2023	Year Ended 30 September 2022
<b>OPERATING ACTIVITIES</b>			
<b>Loss for the Year</b>		\$ (4,437,914)	\$ (4,963,363)
<b>Items not Affecting Cash</b>			
Depreciation	(12)	41,115	40,708
Stock-based compensation	(16)	1,301,000	1,969,808
Gain on sale of marketable securities		(21,618)	-
(Gain)/Loss on settlement of liability	(14)	-	294,444
Interest and accretion on convertible debt	(15)	332,994	51,230
Interest accretion on USDA loan		13,444	-
Loss/(Gain) on disposition of exploration and evaluation assets	(12)	(228,873)	229,785
Loss on revaluation of marketable securities	(13)	228,685	184,587
Advance written off	(9)	1,250,000	-
Deferred income tax recovery		(235,394)	-
		<b>(1,756,561)</b>	<b>(2,192,801)</b>
<b>Net Change in Non-cash Working Capital</b>			
Accounts payable and accrued liabilities		63,702	397,866
Amounts receivable		16,172	5,763
Prepaid amounts and other assets		(54,419)	(23,331)
		<b>(1,731,106)</b>	<b>(1,812,503)</b>
<b>INVESTING ACTIVITIES</b>			
Property/Equipment purchase	(12)	(2,714,791)	(23,988)
Capital advances made	(8)	(500,000)	(770,493)
Proceeds from sale of property	(12)	40,000	75,000
Investment in capital work in progress	(9)	-	(738,982)
Resource property – acquisition	(12)	-	(149,398)
Resource property – expenditures	(12)	(374,451)	(1,511,149)
		<b>(3,549,242)</b>	<b>(3,119,010)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from warrants exercised	(16)	-	2,340,831
Proceeds from options exercised	(16)	-	431,560
Proceeds from private placement	(16)	-	803,652
Net proceeds from USDA loan		5,460,354	-
Proceeds from convertible debt		636,265	-
Proceeds from sale of marketable securities		521,733	-
Short-term loans received	(14)	141,690	236,500
		<b>6,760,042</b>	<b>3,812,543</b>
<b>Net effect of foreign currency translation on cash</b>		<b>49,813</b>	<b>111,965</b>
<b>Net Increase in cash and cash equivalents</b>		<b>1,479,694</b>	<b>(1,007,005)</b>
Cash and cash equivalents – Beginning of Year		134,144	1,141,149
<b>Cash and cash equivalents – End of Year</b>		<b>\$ 1,663,651</b>	<b>\$ 134,144</b>



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

	<b>Year Ended 30 September 2023</b>	<b>Year Ended 30 September 2022</b>
<b>Cash position comprised of:</b>		
Restricted cash	\$ 1,196,565	\$ 90,000
Cash and cash equivalents	467,086	44,144
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Exploration properties transferred pursuant to spin-out	1,941,009	-
Warrants issued for debt settlement	-	1,823,797
Shares issued for asset acquisition (Note 12)	-	3,000,000
Interest paid	332,994	51,230

## 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”). As a result, Ares is focusing on progressing its fluorspar projects towards exploitation, production, and supplying metspar and acidspar to the markets.

On 15 September 2023, the Company completed a spin out transaction pursuant to a plan of arrangement whereby the Liard and Vanadium Ridge properties were transferred to Enyo Strategic Mining Inc. (“Enyo”), former subsidiary of the Company thereby impacting the exploration and evaluation assets totalling \$1,941,006 and described in Note (13).

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.

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.

<b>(Rounded to 000’s)</b>	<b>30 September 2023</b>	30 September 2022
Working capital (deficiency)	\$ (432,000)	\$ 200,000
Accumulated deficit attributed to shareholders	\$ 31,746,000	\$ 27,163,000

## 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 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 Ares 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. (“Ares Utah”), 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 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 Company's 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. Since 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) Construction in progress**

Expenditure incurred during the construction period on the projects under implementation are treated as pre-operative expenses pending allocation to property, plant and equipment and are included under construction in progress, which is stated at the amount incurred up to the date of the consolidated statements of financial position.

### **h) Provision for reclamation and remediation**

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

The Company's estimates of reclamation costs could change because 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.)

### **i) Provisions**

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

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

### **j) Income Taxes**

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

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

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

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

### **k) Financial instruments**

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

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

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

## 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, restricted cash, and marketable securities 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, convertible debentures, 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.

### **l) Share capital**

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

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

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

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

### **m) Share-based payments**

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

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the 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.

### **n) Loss per share**

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

### **o) Convertible debentures**

The liability, equity and other (when applicable) components of convertible debentures are presented separately on the statement of financial position, starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and substantially providing the same cash flows. Subsequently, the liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible debenture at maturity, which is recorded in the statement of (loss) income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is obtained by deducting the nominal value of the debentures and the present value of future capital payments at the prevailing market rate for a convertible debenture without warrants. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debenture, and is presented in Equity as an equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other components (when applicable) on a pro-rata basis, according to their carrying amounts.

### **p) 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.

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

### 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 2023, 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.

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 statements of financial position. The classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability.

#### **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.

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

### a. Judgements

#### **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.

#### **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 2023.

#### **Exploration evaluation assets**

The Company makes certain judgements 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.

#### **Long-lived assets**

The Company makes certain judgements in its assessment of whether indicators of impairment exist with respect to its long-lived assets. The carrying amounts of the Company's long-lived assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use.

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

### **b. Estimates**

#### **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.

#### **Convertible debt**

The Company uses an estimated discount rate to determine the liability component of convertible debentures issued during the year.

### **6) 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 2023. 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, restricted cash, accounts payable, marketable securities, capital advances and short-term loans. As at 30 September 2023, the carrying value of cash and cash equivalents, restricted cash and marketable securities is at fair value. Accounts payable and short-term loans approximate their fair value due to their short-term nature.

#### **c) Market risk**

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

#### **d) Credit risk**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**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 exposed to foreign currency risk on its restricted cash and USDA loan payable balances that are denominated in other than the functional currencies. As at 30 September 2023, the Company held currency totalling the following:

<b>CURRENCY</b>	<b>30 September 2023</b>	<b>30 September 2022</b>
Canadian (Dollars)	\$ 243,000	\$ 87,351
US (Dollars)	\$ 1,045,000	\$ 34,249

**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 2023, the Company had a cash balance of \$467,086 to settle current liabilities of \$2,578,133 that are due within one year. The Company's outstanding liabilities, their current values and the principal amounts along with the due dates are as stated in the table below:

	<b>Carrying value</b>	<b>Principal amount</b>	<b>Less than 1 year</b>	<b>1 – 5 years</b>	<b>5+ years</b>
Accounts payable and accrued liabilities	\$ 656,618	\$ 656,618	\$ 656,618	\$ -	\$ -
Short-term loans	385,690	385,690	385,690	-	-
Convertible debentures	713,865	1,378,805	126,105	1,252,700	-
USDA loan	5,501,049	5,975,840	87,317	923,865	4,964,658
<b>Total</b>	<b>\$ 7,257,222</b>	<b>\$ 8,396,953</b>	<b>\$ 1,255,730</b>	<b>\$ 2,176,565</b>	<b>\$ 4,964,658</b>

**7) Amounts receivable**

Amounts receivable consists of:

<b>AMOUNTS RECEIVABLE</b>	<b>30 September 2023</b>	<b>30 September 2022</b>
Goods and services tax receivable	\$ 21,370	\$ 37,542
Receivable on disposition (Note 13)	-	450,000
	<b>\$ 21,370</b>	<b>\$ 487,542</b>

**8) Capital advances**

On 22 July 2022, the Company entered into an asset purchase agreement to acquire certain mineral resource entities (the "Asset Purchase Agreement"). The mineral resource entities were undergoing a sale in accordance with orders issued by the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the "Court") pursuant to the Companies' Creditors Agreement Act of Canada (the "CCAA").

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

On 26 August 2022, the Company and the court-appointed monitor signed a binding letter of offer (“Binding Offer”) in connection with the Asset Purchase Agreement outlining the terms of the purchase as well as specifying the purchase price to be approximately \$21.5 million payable in cash and stock options to purchase 3,000,000 common shares of the Company at a price of \$0.50 per common share.

On 30 September 2022, the Company signed a subscription agreement to purchase 100% of the issued and outstanding common shares of the entities to be acquired pursuant to the Asset Purchase Agreement and Binding Offer and in this regard, the Company paid an advance of \$750,000 to the court-appointed monitor.

The closing of the transaction and the acquisition of the mineral resource entities as noted above was subject to various terms and conditions, including the approval of the court-appointed monitor, the debtors of the mineral resource entities being acquired, and the availability of financing to complete the purchase, amongst various others. Upon further negotiations and following an additional deposit of \$500,000 during the year ended 30 September 2023, the Company was provided with an extension to 16 January 2023 to submit a proposal and plan for the review of court-appointed monitor and debtors of the mineral resource entities. The Company submitted a revised proposal and plan for the acquisition on 16 January 2023. However, the Company was unable to close on sufficient financing and consequently, the deposit paid of \$1,250,000 was written off during the year ended 30 September 2023.

### 9) Construction in progress

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 acquired the Facility by issuing an aggregate of 5,300,000 common shares in the capital of the 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 consideration was recorded as a capital advance to Mujim as at 30 September 2021.

The Company has agreed that, upon completion of the Facility, it would 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.

During the year ended 30 September 2022, the Company received significant components (including the structure) of the Facility and incurred an additional \$572,139 to acquire these additional components and structure for the Facility and received their delivery.

During the year ended 30 September 2023, the Company completed the acquisition of industrial land (Note 12) for installation of the facility and incurred further costs towards its completion such as design work and other prerequisites. The installation of the plant has not occurred as at 30 September 2023. To date, the Company has incurred \$4,346,009 related to acquiring the Facility. The Company is expected to incur additional costs to complete the installation, and begin operation, of the Facility.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**10) Deposits**

Deposits consist of:

	30 September 2023	30 September 2022
<b>DEPOSITS</b>		
Office lease	\$ 2,912	\$ 2,912
Surety deposits	101,028	101,563
	<b>\$ 103,940</b>	<b>\$ 104,475</b>

As at 30 September 2023, the balance in deposits of \$2,912 (2022 - \$2,912) represents a deposit for office lease and reclamation surety and bond in the amount of \$101,028 (2022 - \$101,563) paid to the State of Utah for a five-year escalation at Lost Sheep and Bell Hill.

**11) Property and equipment**

PROPERTY AND EQUIPMENT	Equipment		Auto		Land	Total
<b>COST</b>						
Balance as at 1 October 2021	\$ 137,341	\$ 66,548	\$ 75,000	\$ 278,889		
Addition	23,988	-	-	23,988		
Adjustments on currency translation	-	4,149	-	4,149		
<b>Balance as at 30 September 2022</b>	<b>\$ 161,329</b>	<b>\$ 70,699</b>	<b>\$ 75,000</b>	<b>\$ 307,026</b>		
Addition	-	-	2,735,178	2,735,178		
<b>Balance as at 30 September 2023</b>	<b>\$ 161,329</b>	<b>70,699</b>	<b>2,810,176</b>	<b>3,042,204</b>		
<b>DEPRECIATION</b>						
Balance as at 1 October 2021	38,207	\$ 2,750	\$ -	\$ 40,957		
Depreciation for the year	34,041	6,667	-	40,708		
<b>Balance as at 30 September 2022</b>	<b>\$ 72,248</b>	<b>\$ 9,417</b>	<b>\$ -</b>	<b>\$ 81,665</b>		
Depreciation for the year	34,041	7,074	-	41,115		
Adjustments on currency translation	-	346	-	346		
<b>Balance as at 30 September 2023</b>	<b>\$ 106,289</b>	<b>16,837</b>	<b>-</b>	<b>123,126</b>		
<b>CARRYING AMOUNTS</b>						
<b>Balance as at 30 September 2022</b>	<b>\$ 89,081</b>	<b>\$ 61,281</b>	<b>\$ 75,000</b>	<b>\$ 225,361</b>		
<b>Balance as at 30 September 2023</b>	<b>\$ 55,040</b>	<b>\$ 53,862</b>	<b>\$ 2,810,176</b>	<b>\$ 2,919,078</b>		

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

Depreciation is charged to recognize the cost of the asset on the Consolidated Statements of Loss and Comprehensive loss using the straight-line method over the estimated useful life of the asset.

During the year ended 30 September 2022, the Company acquired an excavator and a workstation; depreciation commenced upon the use of this equipment.

During the year ended 30 September 2023, the Company acquired an industrial land parcel located in Millard County, State of Utah in the United States for the purpose of setting up its fluorspar plant (Note 9).



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

In addition to the land parcel acquired during the year, land comprises five Canadian properties located in Ontario, Canada (Note 13(f)). The Company earns revenues from sale of quarry rock located on these properties. 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
<b>Balance as at 30 September 2021</b>	\$ 5,963,140	\$ 484,076	\$ 327,580	\$ 1,326,375	\$ -	\$ 4	\$ 8,101,175
Geological consulting	1,023,323	33,150	-	-	-	-	1,056,473
Acquisition	132,067	-	1,065,000	-	17,321	-	1,214,388
Administration and camp	174,104	29	252	-	-	-	174,385
Drilling	15,183	-	-	-	-	-	15,183
Staking and claiming	239,316	8,330	17,950	-	-	-	265,596
Disposition	-	-	-	(1,326,375)	-	-	(1,326,375)
Adjustments on currency translation	(15,879)	-	-	-	-	-	(15,879)
<b>Balance as at 30 September 2022</b>	\$ 7,531,254	\$ 525,585	\$ 1,410,782	\$ -	\$ 17,321	\$ 4	\$ 9,484,946
Geological consulting	<b>220,820</b>	-	-	-	-	-	<b>220,820</b>
Administration and camp	<b>73,584</b>	<b>4,500</b>	<b>139</b>	-	-	-	<b>78,223</b>
Staking and claiming	<b>75,408</b>	-	-	-	-	-	<b>75,408</b>
Transfer of assets to Enyo	-	(530,085)	(1,410,921)	-	-	-	(1,941,006)
Disposition	-	-	-	-	(17,321)	-	(17,321)
Adjustments on currency translation	<b>59,704</b>	-	-	-	-	-	<b>59,704</b>
<b>Balance as at 30 September 2023</b>	\$ 7,960,140	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 7,960,144

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

### a) Spor Mountain

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 amalgamation with ASM 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 with ASM, 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, 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 was 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 Company paid the cash consideration of \$31,000 and issued 5,000,000 shares during the year ended 30 September 2020 for the property.

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.

During the year ended 30 September 2023, pursuant to an arrangement agreement with Enyo, the Company transferred all its right, title and interest in and to the Liard Fluorspar property to Enyo at its carrying amount. As a result, the associated assets were derecognized from these Financial Statements.

### c) Vanadium Ridge

During the year ended 30 September 2022, the Company signed an agreement with Imbue Capital Inc. (“Imbue”) for the purchase of an additional 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 on 19 November 2021. 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 (“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.

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

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

common shares, which were subsequently sold. As a result, the Company retained a 20% interest in the Vanadium Ridge property.

During the year ended 30 September 2023, pursuant to an arrangement agreement with Enyo, the Company transferred all its right, title and interest in and to the Vanadium Ridge property to Enyo at its carrying amount. As a result, the associated assets were derecognized for these Financial Statements.

### **d) Jackpot Lake property**

On 11 January 2019, the Company acquired 100% of the Jackpot Lake property. The seller retaining 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.

On 17 March 2022, the Company entered into a mineral property option agreement with USHA Resources Ltd. ("USHA") of Vancouver, British Columbia, whereby USHA was granted an exclusive option to acquire a 100% interest in the claims comprising the Jackpot Lake property in exchange for the following consideration:

- \$75,000 payable in cash (received in 2022) within five days from receiving approval from the TSX Venture Exchange.
- \$500,000 payable in common shares (received in 2022) of USHA within five days from the date of Exchange approval, to be issued at a deemed value at the greater of the 10-day volume weighted average price ("VWAP") or discounted market price.
- \$225,000 payable through a combination of cash or common shares of USHA (received in 2023), up to a maximum of 1,500,000 common shares of USHA, on the six-month anniversary date of the Exchange approval, to be issued at a deemed value at the greater of the 10-day VWAP or discounted market price.
- \$225,000 payable through a combination of cash or common shares of USHA (received in 2023), up to a maximum of 1,500,000 common shares, on the twelve-month anniversary date of the Exchange approval, to be issued at a deemed value at the greater of the 10-day VWAP or discounted market price.

Additionally, USHA will be required to complete no less than \$1,000,000 worth of Expenditures on the claims comprising the Jackpot Lake property within two years unless the option has been exercised in full. The Company will retain a 1% Gross Overriding Royalty (the "GORR"), subject to a buyback provision by USHA, whereby USHA may acquire, at any time, one-half of the GORR for \$1,000,000. All securities issued in connection with the option agreement by USHA are subject to a four-month-and-one-day statutory hold period.

During the year ended 30 September 2023, the Company recorded a gain on disposition of Jackpot Lake of \$66,677 (2022 – loss of \$ 229,785) in the consolidated statement of loss and comprehensive loss.

### **e) Wilcox Playa**

The Company had written off this property in the year ended 30 September 2019. During the year ended 30 September 2023, the Company sold this property, including its mining information and the right to receive the staking deposit for a cash consideration of \$40,000 and receipt of 500,000 common shares (Note 13) in the capital of purchaser. As at 30 September 2023, 250,000 of these common shares were received. During the year ended 30 September 2023, the Company recorded a gain on disposition of Wilcox Playa of \$162,196 in the consolidated statement of loss and comprehensive loss.

### **f) Ontario properties**

The Company holds a 100% interest in five properties located in Ontario, Canada.

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

### 13) Marketable securities

The following is a summary of the Company's fair value of marketable securities:

MARKETABLE SECURITIES	Number of shares	30 September 2023	
<b>Balance – Beginning of Year</b>	<b>1,678,062</b>	<b>\$</b>	<b>385,954</b>
Common shares of Jackpot Lake purchaser	1,699,103		
Common shares of Wilcox purchaser	250,000		
Jackpot Lake purchaser shares transferred to settle payables	(550,000)		
Jackpot Lake Purchaser Shares sold	(1,861,000)		
Wilcox purchaser shares sold	(155,500)		
<b>Balance – End of Year</b>	<b>1,060,665</b>	<b>\$</b>	<b>170,848</b>

Pursuant to a mineral property option agreement signed in 2022, the Company granted USHA Resources Ltd. an option to acquire a 100% interest in the Jackpot Lake property for which 1,678,062 common shares of USHA were received during 2022 and 1,699,103 common shares of USHA were received during 2023.

Further, in connection with the Wilcox property sale (Note 12), the Company received 250,000 common shares in the capital of the purchaser, out of which 155,500 were sold during the year ended 30 September 2023.

As at 30 September 2023, the Company has recorded a loss of \$228,685 (2022 - \$184,587) on revaluation of these marketable securities.

### 14) Short-term loans

The following is a summary of the Company's short-term loans as at 30 September 2023 and 2022:

SHORT-TERM LOANS	Year	Outstanding Principal	Interest and Financing Fees	Total
Operational loans from related parties	<b>2023</b>	<b>112,500</b>	-	<b>112,500</b>
	2022	86,500	-	86,500
Canada Emergency Business Account loan	<b>2023</b>	<b>60,000</b>	-	<b>60,000</b>
	2022	60,000	-	60,000
Others	<b>2023</b>	<b>213,190</b>	-	<b>213,190</b>
	2022	150,000	-	150,000
<b>Total as at 30 September 2023</b>	<b>2023</b>	<b>\$ 385,690</b>	<b>\$ -</b>	<b>\$ 385,690</b>
Total as at 30 September 2022	2022	296,500	-	296,500

During the year ended 30 September 2023, the Company obtained a \$26,000 loan from the CEO. Also, the Company obtained an additional loan of \$84,600 from a non-related party. There are no defined terms or due dates of repayment and the loans so obtained are unsecured.

During the year ended 30 September 2022, the Company settled outstanding loans of \$862,500 with related parties (Officer and Director of the Company) and obtained additional \$86,500 as a loan from an Officer of

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

Company with no set terms of repayment. Prior to that, during the year ended 30 September 2021, the Company had 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 common shares of the Company owned by them to the unrelated parties. The same related parties of the Company also settled the Company's outstanding liabilities to these unrelated parties in the amount of \$262,500. Under the debt settlement, the Company issued an aggregate of 3,305,554 common shares in the capital of the Company at a deemed price of \$0.27 per share, the share price prevailing at the time when related parties have assumed the debt on behalf of Ares. This transaction resulted in the loss on the settlement of short-term loan in the amount of \$294,444 due to the change in the market price per share.

Further, during the year ended 30 September 2022, the Company also received \$150,000 unsecured loan from non-related parties at an interest rate of 12% and the lender will be entitled to an additional closing fee of \$25,000 that will be settled in common shares.

During the year ended 30 September 2021, the Company received a Canada Emergency Business Account loan of \$60,000 from the Government of Canada. The amount is non-interest bearing and is outstanding as at 30 September 2023. The Company will receive a \$20,000 loan forgiveness upon repayment, provided it is repaid in full on or before 18 January 2024.

### 15) Convertible debentures

On 2 December 2022, the Company closed a non-brokered private placement offering of secured convertible debentures totalling \$1,252,700. The Company incurred a financing fee equal to 45% of the principal amounting to \$563,715 and paid a finders' fee totalling \$52,720 for net proceeds of \$636,265. The principal amount of the convertible debentures will be convertible at the holder's option into full-paid common shares in the capital of the Company at any time prior to maturity in two years, at an exercise price of \$0.26 per common share. Interest on the debentures shall be paid semi-annually at an annual interest rate of 12% per annum.

In connection with the convertible debentures, the Company also issued 202,771 finders' warrants, with each warrant exercisable into one common share of the Company for a period of two years at a price of \$0.26 per common share. The fair value of the warrants was calculated to be \$20,000 using the black-scholes option pricing model.

The following table summarizes the accounting for the convertible debentures and the amounts recognized as liability and equity during the year:

CONVERTIBLE DEBENTURES	Liability		Equity
<b>Balance – Beginning of Year</b>	\$	-	\$ -
Issued during the year		1,252,700	-
Equity component initially recognized		(378,039)	378,039
Issuance costs		(493,790)	(142,645)
Deferred income tax liabilities recognized		-	(235,394)
Interest expense		126,105	-
Accretion expense		206,889	-
<b>Balance – End of Year</b>	\$	713,865	\$ -



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

**16) Share capital**

**a) Authorized:**

Unlimited common shares without par value.

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

	Number of Shares	Amount
<b>Balance as at 1 October 2022</b>	137,772,408	\$ 39,333,031
Shares issued for debt settlement	1,228,314	254,353
<b>Balance as at 30 September 2023</b>	<b>139,000,722</b>	<b>\$ 39,587,384</b>

During the year ended 30 September 2023:

- The Company issued 1,228,314 common shares to settle debt of \$254,353.

During the year ended 30 September 2022:

- The Company issued 3,153,083 common shares upon the exercise of stock options for gross proceeds of \$431,561.
- The Company issued 15,507,419 common shares upon the exercise of warrants for gross proceeds of \$2,340,823.
- The Company also 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.
- The Company issued 3,647,594 common shares upon conversion of convertible debentures and interest in the amount of \$1,301,240.
- The Company issued 3,558,607 common shares in debt settlement of \$1,244,684 out of which 3,305,554 common shares were issued in connection with the related parties' short-term loan settlement fair valued at \$1,156,944 (Note 15).
- The Company issued 3,000,000 common shares fair valued at \$1,065,000 to Imbue in lieu of additional stake of 30% in Vanadium Ridge Property (see Note 13 – Exploration and evaluation assets).



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 2023 and 2022 is as follows:

STOCK OPTION ACTIVITY	30 September 2023	Weighted Average Exercise Price	30 September 2022	Weighted Average Exercise Price
<b>Balance – Beginning of Year</b>	<b>8,088,053</b>	<b>\$ 0.42</b>	9,149,500	\$ 0.44
Issued <sup>(1)</sup>	<b>22,238,053</b>	<b>0.13</b>	8,441,636	0.42
Exercised	-	-	(3,153,083)	0.14
Expired	-	-	(150,000)	(1.30)
Cancelled	<b>(8,088,053)</b>	<b>(0.42)</b>	(6,200,000)	(0.46)
<b>Balance – End of Year</b>	<b>22,238,053</b>	<b>\$ 0.12</b>	8,088,053	\$ 0.42

<sup>(1)</sup> The exercise price of these stock options was modified to \$0.12 upon completion of the spin-out transaction on 15 September 2023 (see Note 1).

Details of stock options outstanding and exercisable as at 30 September 2023 and 30 September 2022 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 September 2023	30 September 2022
16 December 2021	15 December 2023	\$ 0.31	-	1,888,053
8 February 2022	7 February 2027	\$ 0.46	-	6,200,000
10 February 2023	10 February 2025	\$ 0.12	<b>22,238,053</b>	-
			<b>22,238,053</b>	8,088,053

During the year ended 30 September 2023:

The Company cancelled an aggregate of 8,088,053 Options during the year ended 30 September 2023. The cancelled Options are comprised of 1,888,053 Options previously granted on 16 December 2021 at an exercise price of \$0.31 per Share and 6,200,000 Options previously granted on 8 February 2022 at an exercise price of \$0.46 per Share.

On 15 September 2023, the Company closed on spin out transaction as per the plan of arrangement that stated a formula that was used to calculate the new exercise price. The Company recorded modification of a new exercise price as stock – based compensation expense of \$113,000 as the fair value was above the original exercise price.

As at 30 September 2023, the outstanding options have a weighted average remaining life of 1.37 years (2022 – 3.13 years) and a weighted average exercise price of \$0.12 (2022 – \$0.42). All the outstanding options have vested and are exercisable.

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

During the year ended 30 September 2022:

3,153,083 stock options were exercised during the year.

As at 30 September 2022, the outstanding options have a weighted average remaining life of 3.13 years (2021 – 1.26 years) and a weighted average exercise price of \$0.42 (2021 - \$0.44). All the outstanding options have vested and are exercisable.

### d) Warrants

Warrant activity during the nine months ended 30 September 2023 and 2022 are as follows:

WARRANT ACTIVITY	30 September		30 September	
	2023	Weighted Average Exercise Price	2022	Weighted Average Exercise Price
<b>Balance – Beginning of Year</b>	<b>1,874,797</b>	<b>\$ 0.45</b>	16,621,707	\$ 0.15
Issued	<b>202,771</b>	<b>0.26</b>	1,823,797	0.44
Exercised	-	-	(15,507,419)	0.15
Expired	<b>(51,000)</b>	<b>0.50</b>	(1,063,283)	0.13
<b>Balance – End of Year</b>	<b>2,026,568</b>	<b>\$ 0.45</b>	1,874,797	\$ 0.45

During the year ended 30 September 2023:

Details of warrants outstanding and exercisable as at 30 September 2023 and 2022 are as follows:

Issuance Date	Expiry Date	Exercise Price	30 September	30 September
			2023	2022
14 February 2022	13 February 2024	\$ 0.50	<b>837,500</b>	837,500
30 May 2022	30 May 2024	\$ 0.40	<b>986,297</b>	986,297
15 December 2022	15 December 2024	\$ 0.26	<b>202,771</b>	-
			<b>2,026,568</b>	1,874,797

As at 30 September 2023, the outstanding warrants have a weighted average remaining life of 0.60 years (2022 - 1.50 years) and a weighted average exercise price of \$0.43 (2022 - \$0.45).

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

### e) Share-based payments

During the year ended 30 September 2023, the Company granted 22,238,053 (2022 - 8,441,636) incentive stock options to its directors, officer, and consultants and recognized share-based payments as follows:

	30 September 2023	30 September 2022
<b>Total Options Granted</b>	<b>22,238,053</b>	8,441,636
Average exercise price	\$ <b>0.13</b>	0.42
Estimated fair value of compensation	\$ <b>1,188,000</b>	1,969,808
Estimated fair value per option	\$ <b>0.05</b>	0.16 - 0.26

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 2023	30 September 2022
Risk free interest rate	<b>4.82%</b>	0.8% - 1.68%
Expected stock price volatility	<b>75%</b>	81% - 87%
Expected option life in years	<b>1.41</b>	2.00 - 5.00

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 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.

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

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 2023, OMC has not entered into any option agreements related to the Company's other mineral properties. Should OMC fund the full \$8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papagonga properties. This may be increased to 90%, if within a five-year period after earning 80%, OMC funds an additional \$1.5 million in expenditures on the property chosen.

The value attributed to the non-controlling interest in the Company as at 30 September 2023 is an accumulated deficit of \$1,223,455 (2022 - \$1,225,247). For the year ended 30 September 2023, net gain and comprehensive gain of \$1,792 (2022 – loss of \$1,932) has been attributed to the non-controlling interest in these Financial Statements.

### 17) 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 <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>	Share-based payments	
CEO and Director – Management fees	2023	\$ 144,000	559,163	176,798
	2022	\$ 144,000	424,783	124,300
CFO – Management fees	2023	\$ 48,000	56,095	4,000
	2022	\$ 48,000	158,290	4,000
CFO – Professional fees	2023	\$ 66,680	-	3,436
	2022	\$ 63,800	-	4,897
Directors – Director fees	2023	\$ 1,250	107,002	4,500
	2022	\$ 2,250	245,464	46,002
Directors – Consulting fees	2023	\$ 42,000	130,610	60,027
	2022	\$ 45,975	353,667	20,911
Former Director – Consulting fees	2023	\$ -	-	-
	2022	\$ -	251,964	4,800
<b>Total</b>	2023	\$ 300,082	853,319	248,762
	2022	\$ 304,025	1,434,168	204,910

<sup>(i)</sup> For the year ended 30 September 2023 and 2022.

<sup>(ii)</sup> Amounts disclosed were paid or accrued to the related party.

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

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

Accounts payable and accrued liabilities are unsecured, non-interest bearing and due on demand.

Short-term loans with related parties are described in Note (14) and debt settlements with related parties are described in Note (14). There are no specific terms and conditions attached to the said loans.

### 18) Segmented disclosure

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

(Rounded to 000's)	Canada	US	Total
<b>30 September 2023</b>			
Current Assets	\$ 1,038,000	\$ 1,108,000	\$ 2,146,000
<b>Non-Current Assets</b>			
Other non-current assets	4,413,000	2,956,000	7,369,000
Resource properties	5,529,000	2,431,000	7,960,000
<b>Liabilities</b>			
Current Liabilities	1,714,000	864,000	2,578,000
Non- Current Liabilities	-	4,679,000	4,679,000
<b>30 September 2022</b>			
Current Assets	\$ 1,257,000	\$ 2,000	\$ 1,259,000
<b>Non-Current Assets</b>			
Other non-current assets	5,320,000	61,000	5,381,000
Resource properties	7,113,000	2,381,000	9,494,000
<b>Liabilities</b>			
Current Liabilities	1,020,000	39,000	1,059,000

### 19) 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 and debt 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.

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

### 20) USDA loan payable

On 31 March 2023, the Company's subsidiary, Ares Utah, signed a promissory note agreement with Community Bank & Trust ("CB&T") – West Georgia and received a total loan of US\$4,420,000 at prime rate stated in money rates section of Wall Street journal plus 2.50%, in lieu of which it pledged its land that was purchased in conjunction with the proceeds and situated in Utah (Note 12). The loan matures in 15 years and is guaranteed by the US Department of Agriculture ("USDA"). The interest is due and payable on the 1<sup>st</sup> of each month starting 1 May 2023 for the initial 12 months after which the Company is required to repay the monthly instalment consisting of the principal and interest (as per repayment schedule) on each payment date. For the purpose of securing payments and obligations, the Company granted the power of sale and right of the parcel of the land purchased with the proceeds as well as all the proceeds and awards or payments from the land purchased. As at 30 September 2023, CB&T holds the trust account in the amount of \$1,106,565 on behalf of the Company and the funds are restricted primarily for machinery and equipment related to construction of the fluorspar plant.

The Company paid transaction costs in the amount of US\$370,850 which was allocated to the issuance cost of the loan payable and deducted from the principal value. Interest expense, accretion expense and the amortization of debt costs are being recognized over the loan period, with a total of US\$10,041 being recognized as accretion expense and US\$191,748 as interest paid during the year ended 30 September 2023 and recorded within bank charges and interest expense line.

	<b>Amount</b>
Principal amount (US\$4,420,000)	<b>\$ 5,979,597</b>
Less: Transaction cost (US\$370,850)	<b>519,243</b>
Amount funded	<b>5,460,354</b>
Other transaction costs	<b>(15,000)</b>
Amortization of transaction costs- accretion	<b>13,483</b>
Adjustments on currency translation	<b>42,212</b>
<b>USDA loan payable as at 30 September 2023</b>	<b>\$ 5,501,049</b>
<b>Less: Current portion</b>	<b>\$ (821,960)</b>
<b>Non-current portion</b>	<b>\$ 4,679,089</b>

The Company has acted as a guarantor in securing the USDA loan payable, and the Company and its subsidiary, Ares Utah, have provided as collateral, interest in all of the Company's rights, title and interest in and to all property and fixtures (current and future) of the Company and its subsidiaries. In connection with the USDA loan payable, Ares Utah is subject to the following financial covenants:

- Maintain a debt service coverage ratio of at least 1.25 to 1.0, tested annually, beginning December 31, 2023 and for the remaining term of the loan period; and
- Maintain a debt to net worth ration not to exceed 9.0 to 1.0 at any time, which is to be tested annually.



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

The repayment commitment has been described in the table below:

Financial Year	Principal (USD)	Interest (USD)
2024	66,185	470,356
2025	147,463	456,361
2026	163,952	439,764
2027 and above	4,042,400	3,063,645

**21) Commitments**

On 10 December 2021, the Company acquired an exclusive right and access to develop a project in Kentucky, US., for which an initial payment of \$25,000 has already been made during the year ended September 30, 2022 for an initial term of one year (the “Initial Term”). The Company has also agreed to pay the previous owners of this project, a production royalty of \$1 per ton of minerals mined from the property and upon exhaustion of the delineated historic resource estimate, a 5% NSR on further extracted minerals from the property. Upon the expiry of the Initial Term, there is an automatic renewal without notice for an additional one-year term (“Renewal Term”) with additional \$25,000 advance royalty payment to extend this agreement for up to three years, which the Company has not made that payment yet.

The repayment of USDA loan and convertible debt interest is described within respective notes.

**22) 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 Loss and Comprehensive Loss for the years ended 30 September 2023 and 2022.

	<b>30 September 2023</b>	30 September 2022
Net loss before tax	\$ (4,673,308) \$	(4,963,363)
Statutory tax rate	25.65% -29.70%	25.85% - 29.70%
Expected income tax (recovery)	<b>(1,257,998)</b>	(1,354,000)
Permanent differences and other	<b>175,392</b>	571,000
Change in deferred tax asset not recognized	<b>1,318,000</b>	783,000
Total income tax expense (recovery)	<b>\$ (235,394) \$</b>	-

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

The unrecognized deductible temporary differences and deferred income tax assets as at 30 September 2023 and 2022 are comprised of the following:

	30 September 2023		30 September 2022	
	Temporary difference	Deferred income tax asset (liability)	Temporary difference	Deferred income tax asset
Non-capital losses carry-forwards	\$ 23,529,000	6,349,000	\$ 21,088,000	5,694,000
Capital losses	278,000	75,000	-	-
Exploration and evaluation assets	9,942,000	2,721,000	7,349,000	1,992,000
Marketable securities	269,000	73,000	114,000	31,000
Property and equipment	246,000	65,000	170,000	46,000
Convertible debentures	(665,000)	(180,000)	-	-
Financing costs	90,000	24,000	170,000	46,000
Total unrecognized deductible temporary differences and deferred income tax assets	\$ 33,689,000	9,127,000	\$ 28,891,000	7,809,000

As at 30 September 2023, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of \$23,527,000 (2022 - \$21,087,000) 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
2033	\$ 156,000
2034	1,591,000
2035	1,180,000
2036	8,593,000
2037	1,234,000
2038	859,000
2039	866,000
2040	1,829,000
2041	2,079,000
2042	2,176,000
2043	2,964,000
<b>Total</b>	<b>\$ 23,527,000</b>





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

### **23) Subsequent events**

On 15 December 2023, the Company's subsidiary, Ares Utah, entered into the loan agreement ("Loan Agreement") with Millard County, Utah ("Millard County") pursuant to a US\$10,000,000 tax-exempt Manufacturing Facility Revenue Bond (the "Series 2023A Bond"), a US\$500,000 taxable Manufacturing Facility Revenue Bond (the "Series 2023B Bond", and together with the Series 2023A Bond, the "Bonds") created and issued by Millard County. The principal sum of the Bonds to be repaid by Ares Utah is US\$10,500,000, which obligations have been evidenced by promissory notes issued by Ares Utah (the "Notes"). The rights and interests of Millard County in and to certain agreements, including a Loan Agreement dated 1 December 2023 between Ares Utah and Millard County with respect to a loan of the Bond Proceeds, were transferred and assigned, pursuant to an Indenture of Trust dated 1 December 2023 (the "Indenture"), to Zions Bancorporation N.A. ("Trustee"), on behalf of the investors in the Bonds. In addition, the Company has entered into a Guaranty Agreement and Guaranty of Completion agreement with the Trustee, pursuant to which the Company agreed to guaranty certain obligations of Ares Utah, including the repayment of the principal, interest and other amounts owed under the Bonds. The Bonds have been delivered to the Trustee on 15 December 2023.

Pursuant to the Loan Agreement, the Company issued of 6,780,500 common shares (the "offering") at a price of \$0.20 per share for gross proceeds of \$1,356,100 subject to all required regulatory approvals.