

**AJN RESOURCES INC.  
CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**Three months ended October 31, 2020 and 2019**

**(Unaudited - Expressed in Canadian dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of AJN Resources Inc. (the “Company”) for the three months ended October 31, 2020 and 2019, have been prepared in accordance with the International Accounting Standard 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and are the Company’s management.

No independent auditor has performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

**AJN RESOURCES INC.****Condensed Consolidated Interim Statements of Financial Position****As at October 31, 2020 and July 31, 2020**

(Unaudited - Expressed in Canadian dollars)

	Note	October 31, 2020	July 31, 2020
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		2,100,091	2,384,496
Receivables		33,221	34,268
Prepaid expenses and deposits	4	65,227	118,634
Total current assets		2,198,539	2,537,398
Exploration and evaluation assets	5	141,133	141,133
Reclamation bond	5	19,142	19,142
Equipment	6	36,625	38,872
<b>Total assets</b>		<b>2,395,439</b>	<b>2,736,545</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable	7	47,546	98,221
Accrued interest	8	16,949	8,185
Total current liabilities		64,495	106,406
Convertible debenture	8	997,561	974,990
Total liabilities		1,062,056	1,081,396
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	3,826,947	3,826,947
Reserve	9	1,037,459	1,037,459
Accumulated other comprehensive income		868	5,377
Deficit		(3,531,891)	(3,214,634)
Total shareholders' equity		1,333,383	1,655,149
<b>Total liabilities and shareholders' equity</b>		<b>2,395,439</b>	<b>2,736,545</b>

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Approved on behalf of the Board of Directors on December 30, 2020:

*"Klaus Eckhof"*

Director

*"Mark Gasson"*

Director

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**AJN RESOURCES INC.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss****For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Note	2020	2019
		\$	\$
<b>Operating expenses</b>			
Amortization	6	1,983	-
Consulting fees	7	158,687	30,000
Directors fees	7	8,000	-
Filing fees		3,000	2,761
Office and miscellaneous		22,936	8,003
Professional fees	7	93,249	5,350
Share-based compensation	7, 8	-	10
Travel		765	3,211
<b>Total operating expenses</b>		<b>288,620</b>	<b>49,335</b>
Other expenses (income)			
Gain on foreign exchange		499	-
Accretion expense	8	22,571	-
Interest income		(3,197)	-
Interest expense	8	8,764	-
<b>Net loss</b>		<b>(317,257)</b>	<b>(49,335)</b>
<b>Other comprehensive income (loss)</b>			
Currency translation gain (loss) on foreign operations		(4,509)	-
<b>Net loss and comprehensive loss</b>		<b>(321,766)</b>	<b>(49,335)</b>
<b>Loss per share:</b>			
Basic and diluted		(0.01)	(0.00)
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		25,083,000	19,858,000

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**AJN RESOURCES INC.****Condensed Consolidated Interim Statements of Changes in Shareholders' Equity****For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian Dollars, except number of shares)

	Share capital		Reserve	Subscription receivable	Accumulated other comprehensive income	Deficit	Total
	Common shares	Amount					
	#	\$	\$	\$	\$	\$	\$
<b>Balance July 31, 2019</b>	<b>19,858,000</b>	<b>1,823,150</b>	<b>139,004</b>	<b>(50,000)</b>	-	<b>(425,355)</b>	<b>1,486,799</b>
Net loss for the period	-	-	-	-	-	(49,335)	(49,335)
<b>Balance October 31, 2019</b>	<b>19,858,000</b>	<b>1,823,150</b>	<b>139,004</b>	<b>(50,000)</b>	-	<b>(474,690)</b>	<b>1,437,464</b>
Common shares issued (Note 9)	5,000,000	1,965,050	-	50,000	-	-	2,015,050
Exercise of stock options (Note 9)	225,000	38,747	(16,247)	-	-	-	22,500
Share-based compensation (Notes 9)	-	-	606,962	-	-	-	606,962
Equity conversion feature of convertible debenture (Notes 8 and 9)	-	-	307,740	-	-	-	307,740
Comprehensive income for the period	-	-	-	-	5,377	-	5,377
Net loss for the period	-	-	-	-	-	(2,739,944)	(2,739,944)
<b>Balance July 31, 2020</b>	<b>25,083,000</b>	<b>3,826,947</b>	<b>1,037,459</b>	-	<b>5,377</b>	<b>(3,214,634)</b>	<b>1,655,149</b>
Comprehensive loss for the period	-	-	-	-	(4,509)	-	(4,509)
Net loss for the period	-	-	-	-	-	(317,257)	(317,257)
<b>Balance October 31, 2020</b>	<b>25,083,000</b>	<b>3,826,947</b>	<b>1,037,459</b>	-	<b>868</b>	<b>(3,531,891)</b>	<b>1,333,383</b>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**AJN RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended October 31, 2020 and 2019**  
(Unaudited - Expressed in Canadian dollars)

	Note	2020	2019
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(317,257)	(49,335)
Non-cash items:			
Share-based compensation		-	10
Accretion expense		22,571	-
Amortization		1,983	-
Interest expense		8,764	-
Changes in non-cash working capital			
Receivables		1,047	(1,505)
Prepaid expenses and deposits	4	52,977	-
Accounts payable and accrued liability		(50,676)	(33,853)
<b>Net cash flows used in operating activities</b>		<b>(280,590)</b>	<b>(84,683)</b>
<b>Financing activities</b>			
Subscription receivable, net	9	-	50,000
<b>Net cash flows provided by financing activities</b>		<b>-</b>	<b>50,000</b>
Effect of exchange rate changes on cash		(3,815)	-
<b>Increase in cash and cash equivalents</b>		<b>(284,405)</b>	<b>(34,683)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>2,384,496</b>	<b>1,232,383</b>
<b>Cash and cash equivalents, end of period</b>		<b>2,100,091</b>	<b>1,197,700</b>
<b>Supplemental disclosures</b>			
Exploration and evaluation asset expenditures recorded in accounts payable		-	5,537
Share issuance costs recorded in accounts payables		-	14,400

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

## **AJN RESOURCES INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

AJN Resources Inc. (the “Company”) is in the business of the exploration and evaluation of mineral properties. The Company was incorporated under the Business Corporations Act of British Columbia on September 1, 2016. On June 12, 2018, the Company listed its shares on the Canadian Securities Exchange (“CSE”) and trades under the symbol AJN. The address of the Company's registered and records office and principal place of business is Suite 200, 17618 58 Avenue, Surrey, British Columbia, V3S 1L3 Canada.

On March 23, 2020 the Company incorporated AJN Resources Congo SASU (“AJN Congo”) based in the Democratic Republic of the Congo (“DRC”). AJN Congo is a 100% owned subsidiary of the Company. On January 18, 2020, the Company signed a Memorandum of Understanding (MoU) with Société Minière de Kilo-Moto SA (“SOKIMO”) whereby SOKIMO proposed to obtain from the Company the conversion of its rights to a direct participation in various gold licences held by SOKIMO into shares in the Company. The gold licences are located within the Kilo-Moto gold province in the north-east of the DRC. As at October 31, 2020, completion of the terms of the MoU remain subject to due diligence and approvals and the Company has not yet commenced operations in the DRC.

The Company’s primary business is the acquisition and exploration of mineral properties. The Company’s exploration and evaluation asset (Note 6) does not presently host any known mineral deposits nor, given the high degree of risk involved, can there be any assurance that its exploration activities will result in the definition of such deposits being located or, ultimately, a profitable mining operation in the future.

These condensed consolidated interim financial statements (the “interim financial statements”) have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a loss of \$317,257 during the three months ended October 31, 2020 (2019 - \$49,335) has working capital as at October 31, 2020 of \$2,134,044 (July 31, 2020 - \$2,430,992), and has accumulated deficit as at October 31, 2020 of \$3,531,891 (July 31, 2020 - \$3,214,634). Further, the Company has no source of operating cash flows, and there is no assurance that sufficient funding (including adequate financing) will be available to conduct required exploration and development of its mineral property projects. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These interim financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern.

In 2020, there was a global outbreak of coronavirus that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company’s project exploration activities, cash flows and liquidity. Various restrictions on gatherings, work and access to remote communities near the Company’s project may also impact the Company’s ability to perform exploration activities at the project.

## **AJN RESOURCES INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

These interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the year ended July 31, 2020.

These interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on December 30, 2020.

### **b) Basis of measurement**

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been classified and measured at fair value, or amortized cost, as applicable. All amounts in these interim financial statements are presented in Canadian dollars, the functional currency of the Company. The accounting policies set out below have been applied consistently.

### **c) Functional and presentation currency**

Each entity within the Company has its results measured using the primary economic environment in which the entity operates. Judgment is necessary in assessing each entity’s functional currency. The Company considers the primary and secondary indicators as part of its decision-making process. The interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of AJN Congo is the US dollar.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in notes 2 and 3 to the Company’s audited annual financial statements for the year ended July 31, 2020.

IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. A summary of significant judgements and key sources of estimation uncertainty is below.



## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### Going concern

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments to the carrying value of assets and liabilities, the reported expenses and the statement of financial position would be necessary (see Note 1).

#### Functional currency

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment. The interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of AJN Congo is the US dollar.

#### Economic recoverability of future economic benefits of exploration and evaluation assets

Management has determined that exploration and evaluation of mineral properties and related costs incurred, which have been recognized on the statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

#### Indications of impairments of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

#### Estimated useful life of equipment

The estimated useful life of equipment, which is included in the condensed interim consolidated statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

#### Share-based compensation (stock options)

The fair value of stock options issued are subject to the limitations of the Black-Scholes Option Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

#### Environmental rehabilitation obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

### 4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses are comprised of the following as at October 31, 2020, and July 31, 2020:

	October 31, 2020	July 31, 2020
	\$	\$
Expense advances	18,614	51,614
Prepaid deposits	46,613	67,020
	65,227	118,634

## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

## 5. EXPLORATION AND EVALUATION ASSETS

The Company entered into an option agreement dated April 25, 2017 (the “Option Agreement”), and as last amended on October 3, 2017, to acquire a 100% interest in certain claims comprising the Salt Wells Lithium Project (the “Salt Wells Property”) located in Nevada, USA. Pursuant to the Option Agreement, the Company was obligated to pay USD\$255 per claim for initial filing fees (paid \$26,666 (USD\$19,125)) and will pay a further USD\$167 per claim annually. The Company paid \$nil and \$11,210 (USD \$8,337) during the three months ended October 31, 2020 and the year ended July 31, 2020, respectively. The Company was also obligated to complete an exploration development program with a first-year work requirement of USD\$60,000 and a second-year work requirement of USD\$80,000. As of October 31, 2020, the Company’s exploration expenditures have met the work requirements and the Company has made the required annual filing fee payments.

The Salt Wells Property is subject to a 4.5% Net Smelter Return as payable to the Vendor, 1.5% of which the Company shall have the right to buy back from the vendor within 90 days of the property going into production for USD\$500,000, and an additional 1.5% of which the Company shall have the right to buy back from the Vendor within 180 days of the property going into production for USD\$1,250,000. Furthermore, a cash payment of USD\$250,000 is payable to the vendor upon the property attaining commercial production.

During the three months ended October 31, 2020, the Company incurred \$nil (year ended July 31, 2020 - \$37,571) in exploration expenditures. During the year ended July 31, 2020, the Company did not renew 58 of its 105 Salt Wells Property claims deemed to be non-essential and therefore recorded a write-down of \$172,496 of its exploration asset.

	July 31, 2020	Net change	October 31, 2020
<b>Acquisition costs</b>	\$ 70,387	\$ -	\$ 70,387
<b>Exploration costs</b>			
Field expenses	118,559	-	118,559
Geological consulting	94,316	-	94,316
Geophysical	30,367	-	30,367
<b>Total exploration costs</b>	243,242	-	243,242
<b>Write-down</b>	(172,496)	-	(172,496)
<b>Total</b>	141,133	-	141,133

As at October 31, 2020 and July 31, 2020, the Company has a deposit of \$19,142 (USD\$14,161) towards a reclamation bond held with the Bureau of Land Management of Nevada.

**AJN RESOURCES INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

**6. PROPERTY AND EQUIPMENT**

	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	\$	\$	\$
<b>Cost</b>			
Balance, July 31, 2019	-	-	-
Additions	15,957	24,255	40,212
Balance, July 31, 2020	15,957	24,255	40,212
Impact of foreign exchange	(107)	(165)	(272)
<b>Balance, October 31, 2020</b>	<b>15,850</b>	<b>24,090</b>	<b>39,940</b>
<b>Accumulated amortization</b>			
Balance, July 31, 2019	-	-	-
Amortization	(532)	(808)	(1,340)
Balance, July 31, 2020	(532)	(808)	(1,340)
Amortization	(787)	(1,196)	(1,983)
Impact of foreign exchange	3	5	8
<b>Balance, October 31, 2020</b>	<b>(1,316)</b>	<b>(1,999)</b>	<b>(3,315)</b>
<b>Carrying amounts</b>			
July 31, 2020	15,425	23,447	38,872
<b>October 31, 2020</b>	<b>14,534</b>	<b>22,091</b>	<b>36,625</b>

**7. RELATED PARTY TRANSACTIONS**

During the three months ended October 31, 2020 and 2019, the Company paid the following amounts to directors and officers of the Company, including \$5 for share-based compensation expense to directors for the three months ended October 31, 2019:

	<b>2020</b>	2019
	\$	\$
Consulting fees	<b>91,000</b>	15,000
Directors fees	<b>8,000</b>	5
Professional fees	<b>11,550</b>	-
	<b>110,550</b>	15,005

Amounts due to or from related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties. The amounts due to or from related parties as at October 31, 2020 and July 31, 2020 are included in accounts payable as follows:

	<b>October 31, 2020</b>	July 31, 2020
	\$	\$
Due to directors and officers of the Company, net	<b>13,686</b>	22,000

## **AJN RESOURCES INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

## **8. CONVERTIBLE DEBENTURE**

On April 17, 2020, the Company completed a non-brokered financing for total proceeds of \$1,256,115 by way of issuance of a convertible debenture. The debenture bears interest at the rate of 2.5% per annum, payable yearly, and has a maturity date of April 17, 2023.

The convertible debenture is convertible at the holder's or issuer's option (see below) into fully paid and non-assessable common shares of the Company at a base conversion price of \$0.40 per share, being a rate of 250,000 shares for each \$100,000 principal amount of convertible debenture.

The election to convert the convertible debenture to shares may be made during the period from the date of issuance to maturity as follows:

1. By the holder at any time;
2. By the issuer, at any time after:
  - a. The closing price on the CSE of the issuer's common shares has been equal to or greater than \$2.00 per common share for a period of 15 consecutive trading days;
  - b. Two years have elapsed from the date of issuance of the convertible debenture.

For accounting purposes the convertible debenture is separated into their liability and equity components by first valuing the liability component. The \$948,375 initial fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debenture assuming a 12.5% market interest rate, which was the estimated rate for a similar loan without a conversion feature. The \$307,740 fair value of the equity component (the conversion feature) was determined at the time of issue as the difference between the face value of the debenture and the fair value of the liability component.

Interest expense for the three months ended October 31, 2020 was \$8,764 (2019 - \$nil) and is recorded as an accrued liability. Non-cash accretion expense for the three months ended October 31, 2020, was \$22,571 (2019 - \$nil). As at October 31, 2020, the convertible debenture liability balance is \$997,561 (July 31, 2020 - \$974,990) and accrued interest was \$16,949 (July 31, 2020 - \$8,185).

## **9. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares.

### **Share transactions**

There were no share transactions during the three months ended October 31, 2020.

During the year ended July 31, 2020, the Company had the following share transactions:

- a) 5,000,000 common shares at \$0.40 per share for gross proceeds of \$2,000,000. In conjunction with the issuance the Company paid \$34,950 in finder's fees for net proceeds of \$1,965,050.

## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

## 9. SHARE CAPITAL (continued)

- b) 225,000 common shares for gross proceeds of \$22,500 for the exercise of stock options. Accordingly, the Company reallocated \$16,247 from the reserve to share capital.

### Escrow shares

Under the escrow agreement dated January 19, 2018, 10% of the escrowed common shares are to be released from escrow on the date of listing on the CSE. Subsequent to listing, an additional 15% will be released every six months over a thirty-six month period. As at October 31, 2020 and July 31, 2020, a total of 2,340,000 shares were held in escrow.

### Equity reserve

There were no equity reserve transactions during the three months ended October 31, 2020.

During the year ended July 31, 2020, the Company issued a convertible debenture which allows the holder to convert the debenture into common shares of the Company (Note 10). The \$307,740 fair value of the equity conversion feature was recorded under the reserve account.

### Stock options

There were no stock option transactions during the three months ended October 31, 2020.

During the year ended July 31, 2020, the Company granted 400,000 stock options exercisable at a price of \$0.25 with a 5-year life, and 725,000 stock options exercisable at a price of \$0.80 with a 5-year life. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of the options granted. The Company utilized the following assumptions: average volatility - 165%, average risk-free rate – 1.37% and a five-year term. Accordingly, the estimated grant date fair value of the options was \$606,962 and recorded as share-based compensation.

The following table displays outstanding and exercisable stock options:

	Number outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years
Outstanding at July 31, 2019	1,525,000	0.10	2.87
Issued	1,125,000	0.60	3.74
Exercised	(225,000)	0.10	-
<b>Outstanding at July 31, 2020 and October 31, 2020</b>	<b>2,425,000</b>	<b>0.33</b>	<b>3.54</b>

## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payables and convertible debenture. The carrying values of these financial instruments approximate their respective fair values due to the term of these instruments.

As at October 31, 2020, the fair value of cash and cash equivalents held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

The Company's primary exposure to credit risk is its cash and cash equivalents of \$2,100,091 at October 31, 2020 (July 31, 2020 - \$2,384,496). With cash on deposit with reputable financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at October 31, 2020, the Company has current liabilities totaling \$64,495 and cash and cash equivalents of \$2,100,091 (July 31, 2020 - \$106,406 and \$2,384,496, respectively) and is not exposed to significant liquidity risk at this time. However, since the Company is in the exploration stage, it will periodically have to raise funds to continue operations and intends to raise further financing through private placements.

### *Market risk*

Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. The Company does not use derivative instruments to reduce its insignificant exposure to market risks.

## AJN RESOURCES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

## 11. CAPITAL MANAGEMENT

The Company includes shareholders' equity and any debt it may issue, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's property is in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the three months ended October 31, 2020. The Company is not subject to any external covenants.

## 12. SEGMENTED INFORMATION

### Operating segments

The Company operated in a single reportable operating segment – the acquisition, exploration and development of mineral properties. The Company's exploration and evaluation assets are currently located in the United States. The breakdown of total assets between Canada, the United States, and the DRC are as follows:

	October 31, 2020	July 31, 2020
Total assets	\$	\$
Canada	1,713,337	1,967,321
United States	160,275	160,275
DRC	521,827	608,949
	<b>2,395,439</b>	<b>2,736,545</b>

## 13. COMMITMENTS

On January 1, 2020, the Company entered into a consulting agreement for investor relations services. The Company is committed to paying \$5,000 per month and granting stock options for an initial term of 1 year. As at October 31, 2020, approval for the grant of such stock options is pending. Upon mutual acceptance, the agreement automatically renews for terms of 1 year thereafter.



**AJN RESOURCES INC.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three months ended October 31, 2020 and 2019**

(Unaudited - Expressed in Canadian dollars – unless otherwise noted)

---

**13. COMMITMENTS (continued)**

On February 1, 2020, the Company entered into a consulting agreement for corporate development services. The Company is committed to paying \$5,000 per month for an initial term of 1 year. Upon mutual acceptance, the agreement automatically renews for terms of 1 year thereafter.