

AJN RESOURCES INC.
FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

July 31, 2018

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July 31, 2018

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Directors of AJN Resources Inc.

We have audited the accompanying financial statements of AJN Resources Inc., which comprise the statement of financial position as at July 31, 2018 and 2017 and the statement of comprehensive loss, shareholders' equity, and cash flows for the year ended July 31, 2018 and for the period from September 1, 2016 (date of incorporation) to July 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of AJN Resources Inc. as at July 31, 2018 and 2017 and its financial performance and its cash flows for the year ended July 31, 2018 and for the period from September 1, 2016 (date of incorporation) to July 31, 2017, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about AJN Resources Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 6, 2018

AJN Resources Inc.
Statement of Financial Position
(Expressed in Canadian Dollars)

	As at July 31, 2018	As at July 31, 2017
Assets		
Current		
Cash	\$ 399,176	\$ 124,171
Receivables	7,113	9,969
	<u>406,289</u>	<u>134,140</u>
Non-Current		
Exploration and Evaluation Asset (Note 5)	<u>201,068</u>	<u>130,000</u>
Total Assets	<u>\$ 607,357</u>	<u>\$ 264,140</u>
Liabilities and Shareholder Equity		
Liabilities		
Current		
Trade Payables	<u>\$ 26,120</u>	<u>\$ 18,538</u>
Shareholder Equity		
Share Capital (Note 7)	701,300	270,000
Reserve (Note 7)	139,004	-
Subscriptions Received in Advance (Note 7)	-	2,500
Deficit	<u>(259,067)</u>	<u>(26,898)</u>
	<u>581,237</u>	<u>245,602</u>
Total Liabilities and Shareholder Equity	<u>\$ 607,357</u>	<u>\$ 264,140</u>

Going concern (Note 2)

The accompanying notes are an integral part of the financial statements

AJN Resources Inc.**Statement of Comprehensive Loss**

(Expressed in Canadian Dollars)

	For the Year Ended July 31, 2018	For the Period From September 1, 2016 (Date of Incorporation) to July 31, 2017
Operating Expenses		
Consulting Fees (Note 6)	\$ 26,500	\$ 18,000
Office and Miscellaneous	705	873
Filing Fees	24,444	-
Travel Expenses	12,541	-
Professional Fees	28,975	8,025
Stock-Based Compensation (Note 7)	139,004	-
	<hr/>	<hr/>
Net Loss and Comprehensive Loss	\$ (232,169)	\$ (26,898)
	<hr/>	<hr/>
Loss per Share - Basic and Diluted	\$ (0.02)	\$ (0.01)
	<hr/>	<hr/>
Weighted Average Number of Shares Outstanding - Basic and Diluted	12,750,064	11,000,000
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

AJN Resources Inc.**Statements of Shareholders' Equity**

(Expressed in Canadian Dollars)

	Share Capital		Reserve	Subscriptions Received in Advance	Deficit	Total
	Shares	Amount				
Balance September 1, 2016 (Date of Incorporation)	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares Issued for Cash (Note 7)	11,000,000	270,000	-	-	-	270,000
Subscriptions Received in Advance (Note 7)	-	-	-	2,500	-	2,500
Net Loss for the Period	-	-	-	-	(26,898)	(26,898)
Balance July 31, 2017	11,000,000	270,000	-	2,500	(26,898)	245,602
Shares Issued for Cash (Note 7)	3,656,500	365,650	-	(2,500)	-	363,150
Special Warrants (Note 7)	656,500	65,650	-	-	-	65,650
Share Based Payment (Note 7)	-	-	139,004	-	-	139,004
Net Loss for the Year	-	-	-	-	(232,169)	(232,169)
Balance July 31, 2018	15,313,000	\$ 701,300	\$ 139,004	\$ -	\$ (259,067)	\$ 581,237

The accompanying notes are an integral part of the financial statements

AJN Resources Inc.
Statement of Cash Flows
(Expressed in Canadian Dollars)

	For the Year Ended July 31, 2018	For the Period From September 1, 2016 (Date of Incorporation) to July 31, 2017
Operating Activities		
Net Loss	\$ (232,169)	\$ (26,898)
Adjustment for Non-Cash Items		
Stock Based Compensation	139,004	-
Changes in Non-Cash Working Capital		
Receivables	2,856	(3,969)
Trade Payables	(9,868)	-
Net Cash Flows Used in Operating Activities	<u>(100,177)</u>	<u>(30,867)</u>
Investing Activity		
Exploration and Evaluation Asset	<u>(53,618)</u>	<u>(111,462)</u>
Net Cash Flows Used in Investing Activity	<u>(53,618)</u>	<u>(111,462)</u>
Financing Activities		
Issuance of Common Shares	<u>428,800</u>	<u>266,500</u>
Net Cash Flows Provided by Financing Activities	<u>428,800</u>	<u>266,500</u>
Increase in Cash	275,005	124,171
Cash - Beginning	<u>124,171</u>	-
Cash - Ending	<u>\$ 399,176</u>	<u>\$ 124,171</u>
Supplemental Cash Flow Information		
Exploration and Evaluation Asset expenditures recorded in trade payables	<u>\$ 17,450</u>	<u>\$ 18,538</u>
Subscriptions Receivable	<u>\$ 2,500</u>	<u>\$ 6,000</u>

The accompanying notes are an integral part of the financial statements

AJN RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended July 31, 2018

1. CORPORATE INFORMATION

AJN Resources Inc. (the “Company”) is in the business of the exploration and evaluation of mineral properties in Nevada, USA. The Company was incorporated under the Business Corporations Act of British Columbia on September 1, 2016. On July 12, 2018 the Company listed its shares on the Canadian Securities Exchange 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.

These financial statements were authorized for issue on November 6, 2018 by the Board of Directors of the Company.

2. BASIS OF PRESENTATION

a) **Statement of Compliance**

These financial statements have been prepared in accordance and compliance with International financial reporting Standards (“IFRS”) as issued by the International accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

b) **Basis of Measurement**

The financial statements have been prepared on a historical cost basis except for financial instruments classified as financial assets or liabilities at fair value through profit or loss and available-for-sale financial assets which are presented at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

c) **Functional and Presentation Currency**

The financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

d) **Going Concern of Operations**

The Company has not generated revenue from operations. The Company incurred a comprehensive loss of \$232,169 during the year ended July 31, 2018. The Company intends to raise further financing through private placements.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful thus far in doing so, there is no assurance it will be able to do so in the future. These material uncertainties raise

2. BASIS OF PRESENTATION (CONTINUED)

d) Going Concern of Operations (continued)

significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Translation

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

b) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

Changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, 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 period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

d) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken at least annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent the impairment loss reverses gains previously recognized in other comprehensive loss/income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments

Financial Assets

Financial assets are classified and subsequently measured, based on the purpose for which the asset was acquired, as presented below. All transactions related to financial instruments are recorded on a trade date basis.

Financial assets at fair value through profit or loss (“FVTPL”)

FVTPL assets are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-Maturity Investments

Held-to-maturity investments are measured at amortized cost.

Available-For-Sale Investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Financial Liabilities

Financial liabilities are classified as other financial liabilities or financial liabilities at FVTPL, based on the purpose for which the liability was incurred.

Other Financial Liabilities

These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried on the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Financial Liabilities at FVTPL

FVTPL liabilities are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

f) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

h) Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

i) Significant Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgement in the process of applying the accounting policies.

On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include stock-based awards and payments, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

j) Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

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Notes to the Financial Statements
(Expressed in Canadian dollars)
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4. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

IFRS 9 - 'Financial Instruments'

The Company has not early adopted this standard, however the Company is currently assessing what impact the application of this standard will have on the financial statements of the Company.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

5. EXPLORATION AND EVALUATION ASSET

The Company entered into an Option Agreement dated April 25, 2017 (the "Option Agreement"), and as last amended on July 3, 2017, to acquire a 100% interest in certain claims comprising the Salt Wells Lithium Project located in Nevada, USA. Pursuant to the Option Agreement, the Company was obligated to pay US\$255 per claim for initial filing fees ((paid \$26,666) (USD\$19,125)) and will pay a further US\$167 per claim annually, thereafter ((paid \$16,173) (USD\$12,529) during the year ended July 31, 2018). The Company is also obligated to complete an exploration development program with a first year work requirement of US\$60,000 (completed) and a second year work requirement of US\$80,000.

The Salt Wells Lithium 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 US\$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 US\$1,250,000.

Furthermore, a cash payment of US\$250,000 is payable to the vendor upon the property attaining commercial production.

	As at July 31, 2017	Net Change	As at July 31, 2018
Acquisition Costs	\$ 26,666	16,173	\$ 42,839
Exploration Costs			
Field Expenses	4,384	53,879	58,263
Geological Consulting	86,291	-	86,291
Geophysical	12,659	1,016	13,675
	<u>103,334</u>	<u>54,895</u>	<u>158,229</u>
Total	<u>\$ 130,000</u>	<u>\$ 71,068</u>	<u>\$ 201,068</u>

6. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2018, the Company paid \$10,500 (2017 - \$18,000) for consulting services to a corporation owned by a director and officer of the Company. As at July 31, 2018 there are no amounts due to or from any related parties.

AJN RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended July 31, 2018

6. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year the Company issued stock options at a fair value of \$139,004 (2017 - \$0) in Share-Based Payment expenses to directors and officers of the Company.

7. SHARE CAPITAL

Authorized

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

Issued

Upon incorporation, the Company issued 3,000,000 common shares at \$0.01 per share for proceeds of \$30,000. During the year ended July 31, 2017 the Company further issued 8,000,000 common shares at \$0.03 for gross proceeds of \$240,000. The Company also received \$2,500 in advance subscriptions towards a private placement which closed during the year ended July 31, 2018.

During the year ended July 31, 2018 the Company issued 3,656,500 common shares at \$0.10 for gross proceeds \$365,650 of which \$2,500 was received in advance during the period ended July 31, 2017. In December 2017 the Company issued 656,500 special warrants at \$0.10 for total proceeds of \$65,650. Each special warrant was exercisable into one fully paid common share without any further consideration upon the earliest of (a) the business day following the receipt of a final prospectus by the securities regulation authorities in the province of British Columbia, or (b) December 15, 2027. Upon listing on the Canadian Securities Exchange on June 12, 2018 all 656,500 special warrants were converted to common shares of the Company at a rate of 1 common share per Special Warrant.

Special Warrants

A summary of special warrant activity during the period ended July 31, 2018 is as follows:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding July 31, 2017	-	\$ -	-
Issued	656,500	0.10	10 years
Exercised	(656,500)	-	-
Outstanding July 31, 2018	-	\$ -	0

Reserve

The reserve records items recognized as stock-based compensation expense until such time that the stock option are exercised, at which time the corresponding amount will be transferred to share capital.

Escrow

Under the escrow agreement dated January 19th, 2018, 10% of the escrowed common shares are to be released from escrow on the date of listing on the Canadian Securities exchange. Subsequent to listing, and additional 15% will be released every six months over a thirty six month period. As at July 31, 2018, a total of 7,020,000 shares were held in escrow.

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Notes to the Financial Statements
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For the year ended July 31, 2018

7. SHARE CAPITAL (CONTINUED)

Stock Options

During the year ended July 31, 2018, the Company granted 1,525,000 stock options, exercisable at a price of \$0.10 for a period of 5 years. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of the options granted. The Company utilized the following assumptions: volatility - 150%, risk-free rate - 2.21% and a five year term. Accordingly, the estimated grant date fair value of the options was \$139,004. The following table displays stock option activity for the year ended July 31, 2018:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance
June 12, 2018	June 12, 2023	\$ 0.10	-	1,525,000	-	-	1,525,000
		\$ 0.10	-	1,525,000	-	-	1,525,000

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and trade payables. The carrying values of these financial instruments approximate their respective fair values due to the short-term nature of these instruments.

Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

As at July 31, 2018, the fair value of cash 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: Credit risk is the unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. 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 July 31, 2018, the Company had current liabilities totaling \$26,120 and cash of \$399,176 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.

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9. 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 year ended July 31, 2018. The Company is not subject to any external covenants.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates within the reported taxes is as follows:

	2018	2017
Net Loss	\$ (232,169)	\$ (26,898)
Statutory tax rate	26%	26%
Expected income tax recovery	(60,364)	(6,993)
Non-deductible item	36,141	-
Change in unrecognized benefit of non-capital losses	24,223	6,993
Deferred income tax recovery	\$ -	\$ -

At July 31, 2018, subject to confirmation by Canadian income tax authorities, the Company has approximately \$120,000 in Canadian non-capital tax losses of available for carry-forward to reduce future years' taxable income, which expire commencing 2037.

The potential benefits of these carry-forward non-capital losses has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

AJN RESOURCES INC.
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(Expressed in Canadian dollars)
For the year ended July 31, 2018

11. SEGMENTED INFORMATION

Operating Segments

The Company operated in a single reportable operating segment - the acquisition, exploration and development of mineral properties.

Geographical Segments

	<u>July 31, 2018</u>	<u>July 31, 2017</u>
Total Assets		
Canada	\$ 406,289	\$ 134,140
United States	201,068	130,000
	<u>\$ 607,357</u>	<u>\$ 264,140</u>

All of the Company's exploration and evaluation assets are located in the United States.