

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

January 31, 2020

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January 31, 2020

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.**

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

	As at January 31, 2020	As at July 31, 2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 628,911	\$ 1,232,382
Receivables	18,824	13,481
	<u>647,735</u>	<u>1,245,863</u>
<b>Non-Current</b>		
Exploration and Evaluation Asset (Note 5)	288,095	264,848
Reclamation Bond (Note 5)	19,142	19,142
	<u>307,237</u>	<u>283,990</u>
<b>Total Assets</b>	<u>\$ 954,972</u>	<u>\$ 1,529,853</u>
<b>Liabilities and Shareholder Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Trade Payables	\$ 37,874	\$ 43,054
	<u>37,874</u>	<u>43,054</u>
<b>Shareholder Equity</b>		
Share Capital (Note 7)	1,823,150	1,823,150
Subscription Receivable (Note 7 and 12)	-	(50,000)
Reserve (Note 7)	139,014	139,004
Deficit	(1,045,066)	(425,355)
	<u>917,098</u>	<u>1,486,799</u>
<b>Total Liabilities and Shareholder Equity</b>	<u>\$ 954,972</u>	<u>\$ 1,529,853</u>

Going concern (Note 2)  
Subsequent Events (Note 11)

The accompanying notes are an integral part of the financial statements

**AJN Resources Inc.****Interim Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

	Six Months Ended January 31, 2020	Three Months Ended January 31, 2020	Six Months Ended January 31, 2019	Three Months Ended January 31, 2019
<b>Operating Expenses</b>				
Consulting Fees (Note 6)	\$ 112,100	\$ 82,100	\$ 31,470	\$ 14,470
Office and Miscellaneous	4,149	530	989	68
Filing Fees	12,105	7,194	7,302	4,896
Travel Expenses	20,366	14,921	-	-
Stock-Based Compensation (Note 6 and 7)	10	-	-	-
Professional Fees	473,979	460,025	18,364	16,864
<b>Total Operating Expenses</b>	<b>622,709</b>	<b>564,771</b>	<b>58,125</b>	<b>36,298</b>
<b>Other Income (Expenses)</b>				
Gain on Foreign Exchange	1,381	1,381	-	-
Interest Income	1,616	1,616	-	-
<b>Total Other Income (Expenses)</b>	<b>2,998</b>	<b>2,998</b>	<b>-</b>	<b>-</b>
<b>Net Loss and Comprehensive Loss</b>	<b>\$ (619,711)</b>	<b>\$ (561,773)</b>	<b>\$ (58,125)</b>	<b>\$ (36,298)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.031)</b>	<b>\$ (0.028)</b>	<b>\$ (0.004)</b>	<b>\$ (0.002)</b>
<b>Weighted Average Number of Shares Outstanding - Basic and Diluted</b>	<b>19,858,000</b>	<b>19,858,000</b>	<b>15,313,000</b>	<b>15,313,000</b>

The accompanying notes are an integral part of the financial statements

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

(Expressed in Canadian Dollars)

	Share Capital		Reserve	Subscription Receivable	Subscriptions Received in Advance	Deficit	Total
	Shares	Amount					
<b>Balance July 31, 2018</b>	15,313,000	\$ 701,300	\$ 139,004	\$ -	\$ -	\$ (259,067)	\$ 581,237
Net Loss for the Period	-	-	-	-	-	(58,125)	(58,125)
<b>Balance January 31, 2019</b>	15,313,000	701,300	139,004	-	-	(317,192)	523,112
Shares Issued for Cash (Note 7)	4,545,000	1,136,250	-	(50,000)	-	-	1,086,250
Share Issuance Costs (Note 7)	-	(14,400)	-	-	-	-	(14,400)
Net Loss for the Period	-	-	-	-	-	(108,163)	(108,163)
<b>Balance July 31, 2019</b>	19,858,000	1,823,150	139,004	(50,000)	-	(425,355)	1,486,799
Shares Issued for Cash (Note 7)	-	-	-	50,000	-	-	50,000
Stock-Based Compensation (Note 6 and 7)	-	-	10	-	-	-	10
Net Loss for the Period	-	-	-	-	-	(619,711)	(619,711)
<b>Balance January 31, 2020</b>	19,858,000	\$ 1,823,150	\$ 139,014	\$ -	\$ -	\$ (1,045,066)	\$ 917,098

The accompanying notes are an integral part of the financial statements

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

	Six Months Ended January 31, 2020	Six Months Ended January 31, 2019
<b>Operating Activities</b>		
Net Loss	\$ (619,711)	\$ (58,125)
Adjustment for Non-Cash Items		
Stock-Based Compensation	10	-
Changes in Non-Cash Working Capital		
Receivables	(5,343)	(2,541)
Deposit	-	-
Trade Payables	(5,180)	(17,864)
	<hr/>	<hr/>
<b>Net Cash Flows Used in Operating Activities</b>	<b>(630,224)</b>	<b>(78,530)</b>
<b>Investing Activity</b>		
Exploration and Evaluation Asset	(23,247)	(22,507)
	<hr/>	<hr/>
<b>Net Cash Flows Used in Investing Activity</b>	<b>(23,247)</b>	<b>(22,507)</b>
<b>Financing Activities</b>		
Issuance of Common Shares	50,000	-
Issuance of Special Warrants	-	-
Subscriptions Received in Advance	-	-
	<hr/>	<hr/>
<b>Net Cash Flows Provided by Financing Activities</b>	<b>50,000</b>	<b>-</b>
<b>Increase in Cash</b>	<b>(603,472)</b>	<b>(101,037)</b>
<b>Cash - Beginning</b>	<b>1,232,382</b>	<b>399,176</b>
	<hr/>	<hr/>
<b>Cash - Ending</b>	<b>\$ 628,911</b>	<b>\$ 298,140</b>
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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 period ended January 31, 2020

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**1. CORPORATE INFORMATION**

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 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 March 16, 2020 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 \$619,711 during the period ended January 31, 2020. 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

The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective August 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's financial statements.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

Upon adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as follows:

##### Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVTOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset/liability is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Financial Instruments (continued)**

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVTOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at August 1, 2018. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at August 1, 2018.

However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

<b>Asset or Liability</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Trade payables	Other liabilities	Amortized cost

Measurement

*Initial measurement*

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

*Subsequent measurement*

The following accounting policies apply to the subsequent measurement of financial instruments:

*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

*Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Financial Instruments (continued)

##### *Financial assets at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”) and are never reclassified to profit or loss.

##### *Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVTOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

##### Financial instrument disclosures

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).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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.

#### **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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **i) Significant Estimates and Assumptions (continued)**

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.

### **4. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE**

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted the Company are as follows:

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated that application of this standard will not have a material impact on the results and financial position of the Company.

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

**AJN RESOURCES INC.**  
**Notes to the Financial Statements**  
(Expressed in Canadian dollars)  
**For the period ended January 31, 2020**

**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 USD\$255 per claim for initial filing fees ((paid \$26,666) (USD\$19,125)) and will pay a further USD\$167 per claim annually, thereafter ((paid \$16,338) (USD\$12,247) during the year ended July 31, 2019 ((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 UDS\$60,000 and a second year work requirement of USD\$80,000. To January 31, 2020, the Company’s exploration development expenditures have met the work requirements.

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 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 US\$250,000 is payable to the vendor upon the property attaining commercial production.

During the year ended July 31, 2018, the Company acquired additional claims for \$16,338 (USD\$12,247) which are contiguous with, and therefore, have been incorporated into the Salt Wells Lithium Property.

	As at July 31, 2019	Net Change	As at January 31, 2020
<b>Acquisition Costs</b>	\$ 59,177		\$ 59,177
<b>Exploration Costs</b>			
Field Expenses	99,536	4,700	104,236
Geological Consulting	86,291	8,025	94,316
Geophysical	19,844	10,522	30,366
	<u>205,671</u>	<u>23,247</u>	<u>228,918</u>
<b>Total</b>	<u>\$ 264,848</u>	<u>\$ 23,247</u>	<u>\$ 288,095</u>

During the period ended January 31, 2020, the Company incurred \$23,247 in exploration expenditures.

**6. RELATED PARTY TRANSACTIONS**

During the period ended January 31, 2020, the Company paid \$65,000 (2018 - \$26,250) for consulting services to directors and officers of the Company. As at January 31, 2020 recorded in trades payable is \$nil (2018 - \$nil) due to a director and officer of the Company.

During the period ended January 31, 2020 the Company issued stock options at a fair value of \$5 (2018 - \$nil) in Stock-Based Compensation expenses to directors and officers of the Company.

**AJN RESOURCES INC.**  
**Notes to the Financial Statements**  
(Expressed in Canadian dollars)  
**For the period ended January 31, 2020**

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**7. SHARE CAPITAL**

**Authorized**

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

**Issued**

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.

During the year ended July 31, 2019, the Company issued 4,545,000 shares at \$0.25 for gross proceeds of \$1,136,250, of which \$50,000 has been recorded in subscription receivable and was received subsequent to January 31, 2020 (Note 12). The Company recorded \$14,400 for share issuance costs related to the private placement.

For the period ended January 31, 2020 the Company did not issue any shares.

**Special Warrants**

A summary of special warrant activity during the period ended July 31, 2019 is as follows:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
<b>Outstanding July 31, 2017</b>	-	\$ -	-
Issued	656,500	0.10	10 years
Exercised	(656,500)	-	-
<b>Outstanding July 31, 2018 and 2019</b>	-	\$ -	-

**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 19, 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 January 31, 2020, a total of 4,680,000 shares were held in escrow.

**AJN RESOURCES INC.**  
**Notes to the Financial Statements**  
(Expressed in Canadian dollars)  
**For the period ended January 31, 2020**

**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. For the period ended January 31, 2020 the company granted 400,000 options exercisable at a price of \$0.25 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 - 7%, risk-free rate - 1.59% and a five year term. Accordingly, the estimated grant date fair value of the options was \$10. The following table displays outstanding stock options for the period ended October 31, 2019:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
<b>Outstanding July 31, 2019</b>	1,525,000	\$ 0.10	3.25 years
Issued	400,000	0.25	4.5 years
<b>Outstanding January 31, 2020</b>	1,925,000	\$ 0.13	3.75 years

**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.

As at January 31, 2020, 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 January 31, 2020, the Company had current liabilities totaling \$37,874 and cash of \$628,911 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.

## 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 period ended January 31, 2020. The Company is not subject to any external covenants.

## 10. SEGMENTED INFORMATION

### Operating Segments

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

	<u>January 31, 2019</u>	<u>July 31, 2019</u>
Total Assets		
Canada	\$ 647,735	\$ 1,245,863
United States	307,237	283,990
	<u><u>\$ 954,972</u></u>	<u><u>\$ 1,529,853</u></u>

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

## 11. Subsequent Events

- a) On February 6, 2020 the Company announced that AJN had signed a Memorandum of Understanding (MoU) with Société Minière de Kilo-Moto SA ('SOKIMO') whereby SOKIMO proposes to obtain from AJN the conversion of its rights to a direct participation in various gold licences held by SOKIMO into shares in AJN. The gold licences are located within the Kilo-Moto gold province in the north-east of the Democratic Republic of Congo ('DRC'). Summary of the transaction is as follows:
  - i. AJN intends to raise a minimum of \$CDN 20,000,000 via the issuance of securities in the capital of AJN.
  - ii. AJN can secure the direct participation rights in these gold projects held by SOKIMO in consideration of AJN issuing common shares equal to sixty percent (60%) of the issued and outstanding shares of AJN post-financing. The transaction is an arm's length transaction.

**11. Subsequent Events (Continued)**

- iii. On completion of this financing and satisfaction of all conditions, including but not limited to the delivery of all the securities, recordable assignments and related documents representing the rights to direct participation being transferred by Sokimo to AJN, AJN will issue common shares in the capital of AJN equal to sixty percent (60%) of the issued and outstanding common shares of AJN post-financing. All shares issued to SOKIMO under this transaction will be subject to a statutory 4 month hold period and will be so recorded and may be subject to regulatory escrow requirements as imposed by Canadian regulatory authorities.
  - iv. AJN and SOKIMO (the “Parties”) will conclude a legal and technical due diligence within 90 days of signing of the MOU prior to obtaining all regulatory approvals (including approvals from the Canadian Securities Exchange “CSE”) and execution of a final agreement before closing.
  - v. The financing as well as the transfer to AJN of SOKIMO’s entire right, title and interest in and to the equity position in the projects shall be completed at a closing (the “closing”). The time and place of the closing will be mutually agreed to by AJN and SOKIMO and will be subject to regulatory approvals.
- b) On February 24, 2020, the Company completed its \$0.40 financing raising \$2,000,000 through the issuance of common shares. All shares issued will have a four-month hold period. Finders' fees of \$12,000 were paid to Nascent Capital Partners Pty. Ltd., \$8,400 to Haywood Securities Inc., \$6,750 to Sprott Global Resource Investments Ltd., \$6,000 to Hartleys Ltd. and \$1,950 to Richardson GMP Ltd.
- c) On February 24, 2020, the Company issued 725,000 stock options exercisable at 80 cents for five years to consultants and director of the Company.