

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

**Three months ended October 31, 2021 and 2020**

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

**Notice of Disclosure of Non-Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three Months ended October 31, 2021 and 2020**

Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 - Continuous Disclosure Obligations, 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 interim consolidated financial statements of AJN Resources Inc. (the “Company”) for the interim period ended October 31, 2021 and 2020, 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 responsibility of the Company’s management.

The Company’s independent auditors, Dale Matheson Carr-Hilton Labonte LLP, have not performed a review of these condensed interim consolidated financial statements.

December 20, 2021

**AJN RESOURCES INC.****Condensed Interim Consolidated Statements of Financial Position****As at October 31, 2021 and July 31, 2021**

(Unaudited - Expressed in Canadian dollars)

|   | Note | October 31,<br>2021 | July 31,<br>2021 |
|---|------|---------------------|------------------|
|   |      | \$                  | \$               |
| <b>ASSETS</b>                                     |      |                     |                  |
| <b>Current</b>                                    |      |                     |                  |
| Cash and cash equivalents                         |      | 1,429,540           | 1,569,307        |
| Receivables                                       |      | 9,526               | 8,285            |
| Prepaid expenses and deposits                     | 4    | 9,030               | 9,030            |
|   |      | <b>1,448,096</b>    | 1,586,622        |
| Reclamation bond                                  | 5    | 19,142              | 19,142           |
| Equipment   | 6    | 26,626              | 28,663           |
| Exploration and evaluation assets                 | 5    | 151,888             | 151,888          |
| <b>Total assets</b>                               |      | <b>1,645,752</b>    | 1,786,315        |
| <b>LIABILITIES</b>                                |      |                     |                  |
| <b>Current</b>                                    |      |                     |                  |
| Accounts payable and accrued liabilities          | 7    | 91,619              | 64,605           |
| Accrued interest payable                          | 8    | 16,949              | 9,034            |
|   |      | <b>108,568</b>      | 73,639           |
| Convertible debenture                             | 8    | 1,095,520           | 1,069,958        |
| <b>Total liabilities</b>                          |      | <b>1,204,088</b>    | 1,143,597        |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                     |                  |
| Share capital                                     | 9    | 3,895,831           | 3,895,831        |
| Reserves  | 10   | 1,008,575           | 1,008,575        |
| Accumulated other comprehensive (loss) income     |      | (42,253)            | (40,020)         |
| Deficit   |      | (4,420,489)         | (4,221,668)      |
| <b>Total shareholders' equity</b>                 |      | <b>441,664</b>      | 642,718          |
| <b>Total liabilities and shareholders' equity</b> |      | <b>1,645,752</b>    | 1,786,315        |

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors on December 20, 2021:

"Klaus Eckhof"

Director

"Mark Gasson"

Director

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

**AJN RESOURCES INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the three months ended October 31, 2021 and 2020**

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

|   | Note | 2021             | 2020             |
|---|------|------------------|------------------|
|   |      | \$               | \$               |
| <b>Operating expenses</b>                             |      |                  |                  |
| Amortization  | 6    | 1,857            | 1,983            |
| Consulting fees                                       | 7    | 84,600           | 158,687          |
| Directors fees  | 7    | 12,000           | 8,000            |
| Filing fees   |      | 2,325            | 3,000            |
| Office and miscellaneous                              |      | 19,248           | 22,936           |
| Professional fees                                     | 7    | 26,753           | 93,249           |
| Travel expenses                                       |      | 20,127           | 765              |
| <b>Total operating expenses</b>                       |      | <b>166,910</b>   | <b>288,620</b>   |
| Other expenses (income)                               |      |                  |                  |
| Gain on foreign exchange                              |      | -                | 499              |
| Accretion expense                                     | 8    | 25,562           | 22,571           |
| Interest income                                       |      | (1,566)          | (3,197)          |
| Interest expense                                      | 8    | 7,915            | 8,764            |
| <b>Net loss</b>                                       |      | <b>(198,821)</b> | <b>(317,257)</b> |
| <b>Other comprehensive loss</b>                       |      |                  |                  |
| Currency translation loss on foreign operations       |      | (2,233)          | (4,509)          |
| <b>Net loss and comprehensive loss</b>                |      | <b>(201,054)</b> | <b>(321,766)</b> |
| <b>Loss per share:</b>                                |      |                  |                  |
| Basic and diluted                                     |      | (0.01)           | (0.01)           |
| <b>Weighted average number of shares outstanding:</b> |      |                  |                  |
| Basic and diluted                                     |      | 30,708,000       | 25,083,000       |

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

**AJN RESOURCES INC.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the three months ended October 31, 2021 and 2020**

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

|                                   |          | <u>Share capital</u> |                  |                  | Accumulated<br>other<br>comprehensive<br>income | Deficit            | Total            |
|-----------------------------------|----------|----------------------|------------------|------------------|---|--------------------|------------------|
|                                   | Not<br>e | Common<br>shares     | Amount           | Reserves         |   |                    |                  |
|                                   |          | #                    | \$               | \$               | \$  | \$                 | \$               |
| <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> |
| Exercise of stock options         | 9        | 400,000              | 68,884           | (28,884)         | -   | -                  | 40,000           |
| Comprehensive loss for the period |          | -                    | -                | -                | (40,888)  | -                  | (40,888)         |
| Net loss for the period           |          | -                    | -                | -                | -   | (689,777)          | (689,777)        |
| <b>Balance, July 31, 2021</b>     |          | <b>25,483,000</b>    | <b>3,895,831</b> | <b>1,008,575</b> | <b>(40,020)</b>                                 | <b>(4,221,668)</b> | <b>642,718</b>   |
| Comprehensive loss for the period |          | -                    | -                | -                | (2,233)   | -                  | (2,233)          |
| Net loss for the period           |          | -                    | -                | -                | -   | (198,821)          | (198,821)        |
| <b>Balance, October 31, 2021</b>  |          | <b>25,483,000</b>    | <b>3,895,831</b> | <b>1,008,575</b> | <b>(42,253)</b>                                 | <b>(4,420,489)</b> | <b>441,664</b>   |

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

**AJN RESOURCES INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three months ended October 31, 2021 and 2020**  
(Unaudited - Expressed in Canadian dollars)

|   | Note | 2021             | 2020             |
|---|------|------------------|------------------|
|   |      | \$               | \$               |
| <b>Operating activities</b>                     |      |                  |                  |
| Net loss for the period                         |      | (198,821)        | (317,257)        |
| Non-cash items:                                 |      |                  |                  |
| Accretion expense                               |      | 25,562           | 22,571           |
| Amortization                                    | 6    | 1,857            | 1,983            |
| Interest expense                                | 8    | 7,915            | 8,764            |
| Changes in non-cash working capital             |      |                  |                  |
| Receivables                                     |      | (1,241)          | 1,047            |
| Prepaid expenses and deposits                   | 4    | -                | 52,977           |
| Accounts payable                                |      | 27,014           | (50,676)         |
| Net cash flows used in operating activities     |      | (137,714)        | (280,590)        |
| Effect of exchange rate changes on cash         |      | (2,053)          | (3,815)          |
| Decrease in cash and cash equivalents           |      | (139,767)        | (284,405)        |
| Cash and cash equivalents, beginning of period  |      | 1,569,307        | 2,384,496        |
| <b>Cash and cash equivalents, end of period</b> |      | <b>1,429,540</b> | <b>2,100,091</b> |

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

## **AJN RESOURCES INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements For the three months ended October 31, 2021 and 2020**

(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 1400 – 1199 West Hastings St., Vancouver, British Columbia, V6E 3T5 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, 2021, 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 assets (Note 5) do 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 interim consolidated 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 \$201,054 during the three months ended October 31, 2021 (2020 - \$317,257), has working capital as at October 31, 2021 of \$1,339,528 (July 31, 2021 - \$1,512,983), and has accumulated deficit as at October 31, 2021 of \$4,420,489 (July 31, 2021 - \$4,221,668). 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 and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

---

## **AJN RESOURCES INC.**

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

#### **For the three months ended October 31, 2021 and 2020**

(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, 2021.

These interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on December 20, 2021.

### **a) Basis of presentation**

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.

### **b) 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 Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of the interim financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

---



**AJN RESOURCES INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2021 and 2020**

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

**4. PREPAID EXPENSES AND DEPOSITS**

Prepaid expenses are comprised of the following as at October 31, 2021, and July 31, 2021:

|                  | <b>October 31, 2021</b> | July 31, 2021 |
|------------------|-------------------------|---------------|
|                  | \$                      | \$            |
| Expense advances | <b>9,030</b>            | 9,030         |
| Prepaid deposits | -                       | -             |
|                  | <b>9,030</b>            | 9,030         |

**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 during the three months ended October 31, 2021 and 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 at October 31, 2021, 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.

**AJN RESOURCES INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2021 and 2020**

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

**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

During the three months ended October 31, 2021 and 2020, the Company incurred \$nil in exploration expenditures.

|                                | July 31,<br>2021 | Net change | October 31,<br>2021 |
|--------------------------------|------------------|------------|---------------------|
|                                | \$               | \$         | \$                  |
| <b>Acquisition costs</b>       | 81,142           | -          | <b>81,142</b>       |
| <b>Exploration costs:</b>      |                  |            |                     |
| Field expenses                 | 118,559          | -          | <b>118,559</b>      |
| Geological consulting          | 94,316           | -          | <b>94,316</b>       |
| Geophysical                    | 30,367           | -          | <b>30,367</b>       |
| <b>Total exploration costs</b> | 243,242          | -          | <b>243,242</b>      |
| <b>Write-down</b>              | (172,496)        | -          | <b>(172,496)</b>    |
| <b>Total</b>                   | 151,888          | -          | <b>151,888</b>      |

As at October 31, 2021 and July 31, 2021, the Company has a deposit of \$19,142 (USD\$15,457) towards a reclamation bond held with the Bureau of Land Management of Nevada.

**6. EQUIPMENT**

|                                  | Computer<br>equipment | Furniture<br>and fixtures | Total         |
|----------------------------------|-----------------------|---------------------------|---------------|
|                                  | \$                    | \$                        | \$            |
| <b>Cost</b>                      |                       |                           |               |
| Balance, July 31, 2020           | 15,957                | 24,255                    | 40,212        |
| Impact of foreign exchange       | (1,121)               | (1,714)                   | (2,835)       |
| Balance, July 31, 2021           | 14,836                | 22,541                    | 37,377        |
| Impact of foreign exchange       | (93)                  | (132)                     | (225)         |
| <b>Balance, October 31, 2021</b> | <b>14,743</b>         | <b>22,409</b>             | <b>37,152</b> |
| <b>Accumulated amortization</b>  |                       |                           |               |
| Balance, July 31, 2020           | 532                   | 808                       | 1,340         |
| Amortization                     | 2,927                 | 4,447                     | 7,374         |
| Balance, July 31, 2021           | 3,459                 | 5,255                     | 8,714         |
| Amortization                     | 737                   | 1,120                     | 1,857         |
| Impact of foreign exchange       | (19)                  | (26)                      | (45)          |
| <b>Balance, October 31, 2021</b> | <b>4,177</b>          | <b>6,349</b>              | <b>10,526</b> |
| <b>Carrying amounts</b>          |                       |                           |               |
| Balance, July 31, 2021           | 11,377                | 17,286                    | 28,663        |
| <b>Balance, October 31, 2021</b> | <b>10,566</b>         | <b>16,060</b>             | <b>26,626</b> |

## AJN RESOURCES INC.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

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

#### 7. RELATED PARTY TRANSACTIONS

During the three months ended October 31, 2021 and 2020, the Company paid the following amounts to directors and officers of the Company:

|                   | 2021   | 2020    |
|-------------------|--------|---------|
|                   | \$     | \$      |
| Consulting fees   | 75,600 | 91,000  |
| Directors fees    | 12,000 | 8,000   |
| Professional fees | -      | 11,550  |
|                   | 87,600 | 110,550 |

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 related parties as at October 31, 2021 and July 31, 2021 were \$53,312 and \$31,360, respectively, and are included in accounts payable and accrued liabilities.

#### 8. CONVERTIBLE DEBENTURE

The Company issued a convertible debenture for total proceeds of \$1,256,115 maturing on April 17, 2023. The convertible debenture bears interest 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.

Upon initial recognition, the Company discounted the face value of the convertible debenture at a market rate of 12.5%, which was the estimated rate for a similar debt instrument without a conversion feature. The difference between the discounted value and face value of \$307,740 was recorded to reserves to recognize the equity component applying the residual value method.

## **AJN RESOURCES INC.**

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

#### **For the three months ended October 31, 2021 and 2020**

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

---

#### **8. CONVERTIBLE DEBENTURE (CONTINUED)**

Interest expense for the three months ended October 31, 2021 and 2020 was \$7,915 and \$8,764, respectively, and was recorded as accrued interest payable. Non-cash accretion expense for the three months ended October 31, 2021 and 2020 was \$25,562 and \$22,571, respectively. As at October 31, 2021, the convertible debenture liability balance was \$1,095,520 (July 31, 2021 - \$1,069,958) and accrued interest payable was \$16,949 (July 31, 2021 - \$9,034).

#### **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, 2021.

During the year ended July 31, 2021, 400,000 common shares were issued for gross proceeds of \$40,000 on the exercise of stock options. Accordingly, the Company reallocated \$28,884 from reserves to share capital.

#### **10. RESERVES**

##### **Convertible debenture**

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 8). The \$307,740 fair value of the equity conversion feature was recorded under the reserves account.

##### **Stock options**

There were no stock option transactions during the three months ended October 31, 2021.

There were no stock option grants during the year ended July 31, 2021. In February 2021, 400,000 stock options were exercised at a price of \$0.10 per share. Accordingly, the Company reallocated \$28,884 from reserves to share capital. The weighted average share price of the Company on the date of exercise of these stock options was \$0.37 per share.

---

**AJN RESOURCES INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2021 and 2020**

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

**10. RESERVES (CONTINUED)**

A summary of the Company's stock option activity is as follows:

|  | <b>Number outstanding</b> | <b>Weighted average exercise price</b> |
|--|---------------------------|--|
|  | \$                        | \$                                     |
| Outstanding at July 31, 2020                             | 2,425,000                 | 0.33                                   |
| Exercised  | (400,000)                 | 0.10                                   |
| <b>Outstanding at October 31, 2021 and July 31, 2021</b> | <b>2,025,000</b>          | <b>0.38</b>                            |

A summary of the Company's stock options outstanding and exercisable at October 31, 2021 is presented below:

| <b>Expiry date</b> | <b>Exercise prices</b> | <b>Options outstanding and exercisable</b> | <b>Weighted average remaining years</b> |
|--------------------|------------------------|--|---|
|                    | \$                     | #  |   |
| June 12, 2023      | 0.10                   | 900,000                                    | 1.62                                    |
| August 21, 2024    | 0.25                   | 400,000                                    | 2.81                                    |
| February 24, 2024  | 0.80                   | 725,000                                    | 2.32                                    |
|                    |                        | <b>2,025,000</b>                           | <b>2.10</b>                             |

**11. 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).

## AJN RESOURCES INC.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

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

---

#### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2021, 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 \$1,429,540 at October 31, 2021 (July 31, 2021 - \$1,569,307). 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, 2021, the Company has current liabilities totaling \$108,568 and cash and cash equivalents of \$1,429,540 (July 31, 2021 - \$73,639 and \$1,569,307, 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 Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

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

---

#### 12. 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, 2021. The Company is not subject to any external covenants.

#### 13. SEGMENTED INFORMATION

|               | October 31, 2021 | July 31, 2021 |
|---------------|------------------|---------------|
| Total assets: | \$               | \$            |
| Canada        | 1,100,769        | 1,228,312     |
| United States | 180,059          | 180,061       |
| DRC           | 364,924          | 377,942       |
|               | 1,645,752        | 1,786,315     |

---