AJN RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AJN Resources Inc.

Opinion

We have audited the consolidated financial statements of AJN Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates events or conditions that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 9, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

AJN RESOURCES INC.
Consolidated Statements of Financial Position
As at July 31,2020 and 2019
(Expressed in Canadian dollars)

	Note	**2020**	2019
		$	$
ASSETS			
Current			
Cash and cash equivalents		**2,384,496**	1,232,382
Receivables		**34,268**	13,481
Prepaid expenses and deposits	5	**118,634**	-
Total current assets		**2,537,398**	1,245,863
Exploration and evaluation asset	6	**141,133**	264,848
Reclamation bond	6	**19,142**	19,142
Equipment	7	**38,872**	-
Total assets		**2,736,545**	1,529,853
LIABILITIES			
Current			
Accounts payable	8	**98,221**	43,054
Accrued liability	10	**8,185**	-
Total current liabilities		**106,406**	43,054
Convertible debenture	10	**974,990**	-
Total liabilities		**1,081,396**	43,054
SHAREHOLDERS' EQUITY			
Share capital	9	**3,826,947**	1,823,150
Subscription receivable	9	**-**	(50,000)
Reserve	9	**1,037,459**	139,004
Accumulated other comprehensive income		**5,377**	-
Deficit		**(3,214,634)**	(425,355)
Total shareholders' equity		**1,655,149**	1,486,799
Total liabilities and shareholders' equity		**2,736,545**	1,529,853

Nature of operations and going concern (Note 1)
Commitments (Note 15)

Approved on behalf of the Board of Directors on November 9, 2020:

"Klaus Eckhof"	*"Mark Gasson"*
Director	Director

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

AJN RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2020 and 2019
(Expressed in Canadian dollars, except number of shares)

	Note	**2020**	2019
		$	$
Operating expenses			
Amortization	7	**1,340**	-
Consulting fees	8	**564,310**	81,470
Directors fees	8	**12,000**	-
Filing fees		**25,386**	25,734
Marketing		**261,110**	-
Office and miscellaneous		**57,010**	840
Professional fees	8	**999,207**	40,464
Share-based compensation	8, 9	**606,962**	-
Travel		**62,005**	17,780
Total operating expenses		**2,589,330**	166,288
Other expenses (income)			
Write-down of exploration and evaluation asset	6	**172,496**	-
Gain on foreign exchange		**(433)**	-
Accretion expense	10	**26,615**	-
Interest income		**(6,914)**	-
Interest expense		**8,185**	-
Net loss		**(2,789,279)**	(166,288)
Other comprehensive income			
Currency translation gain on foreign operations		**5,377**	-
Net loss and comprehensive loss		**(2,783,902)**	(166,288)
Loss per share:			
Basic and diluted		**(0.13)**	(0.01)
Weighted average number of shares outstanding:			
Basic and diluted		**22,167,016**	15,400,164

AJN RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended July 31, 2020 and 2019
(Expressed in Canadian Dollars, except number of shares)

	Share capital						
	Common shares	**Amount**	**Reserve**	**Subscription receivable**	**Accumulated other comprehensive income**	**Deficit**	**Total**
	#	**$**	**$**	**$**	**$**	**$**	**$**
Balance July 31, 2018	**15,313,000**	**701,300**	**139,004**	**-**	-	**(259,067)**	**581,237**
Common shares issued (Note 9)	4,545,000	1,136,250	-	(50,000)	-	-	1,086,250
Share issuance costs (Note 9)	-	(14,400)	-	-	-	-	(14,400)
Net loss for the year	-	-	-	-	-	(166,288)	(166,288)
Balance July 31, 2019	**19,858,000**	**1,823,150**	**139,004**	**(50,000)**	-	**(425,355)**	**1,486,799**
Common shares issued (Note 9)	5,000,000	1,965,050	-	50,000	-	-	2,015,050
Exercise of stock options (Note 9)	225,000	38,747	(16,247)	-	-	-	22,500
Share-based compensation (Notes 8 and 9)	-	-	606,962	-	-	-	606,962
Equity conversion feature of convertible debenture (Notes 9 and 10)	-	-	307,740	-	-	-	307,740
Comprehensive income for the year	-	-	-	-	5,377	-	5,377
Net loss for the year	-	-	-	-	-	(2,789,279)	(2,789,279)
Balance July 31, 2020	**25,083,000**	**3,826,947**	**1,037,459**	**-**	**5,377**	**(3,214,634)**	**1,655,149**

AJN RESOURCES INC.
Consolidated Statements of Cash Flows
For the years ended July 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	$
Operating activities			
Net loss for the year		**(2,789,279)**	(166,288)
Non-cash items:			
Write-down of exploration and evaluation asset		**172,496**	-
Share-based compensation		**606,962**	-
Accretion expense		**26,615**	-
Amortization		**1,340**	-
Changes in non-cash working capital			
Receivables		**(20,787)**	(6,368)
Prepaid expenses and deposits	5	**(118,634)**	-
Accounts payable and accrued liability		**63,352**	(3,003)
Net cash flows used in operating activities		**(2,057,935)**	(175,659)
Investing activities			
Exploration and evaluation asset	6	**(48,781)**	(58,243)
Reclamation bond		**-**	(19,142)
Equipment	7	**(40,212)**	-
Net cash flows used in investing activities		**(88,993)**	(77,385)
Financing activities			
Convertible debenture	10	**1,256,115**	-
Common shares issued	9	**1,965,050**	1,086,250
Subscription receivable, net	9	**50,000**	-
Exercise of stock options	9	**22,500**	-
Net cash flows provided by financing activities		**3,293,665**	1,086,250
Effect of exchange rate changes on cash		**5,377**	-
Increase in cash and cash equivalents		**1,152,114**	833,206
Cash and cash equivalents, beginning of year		**1,232,382**	399,176
Cash and cash equivalents, end of year		**2,384,496**	1,232,382

Supplemental disclosures		
Exploration and evaluation asset expenditures recorded in accounts payable	**-**	5,537
Share issuance costs recorded in accounts payables	**-**	14,400
Equity conversion feature of convertible debenture	**307,740**	-
Reallocation of reserve	**16,247**	-

Cash and cash equivalents consist of:		
Cash	**1,128,496**	1,232,382
Guaranteed investment certificate	**1,256,000**	-
	2,384,496	1,232,382

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On March 23, 2020 the Company incorporated AJN Resources Congo SASU ("AJN Congo") based in the Democratic Republic of the Congo ("DRC"). AJN Congo is a 100% owned subsidiary of the Company. On January 18, 2020, the Company signed a Memorandum of Understand (MoU) with Société Minière de Kilo-Moto SA ("SOKIMO") whereby SOKIMO proposes 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. To July 31, 2020, completion of the terms of the MoU remain subject to due diligence and approvals and the Company has not commenced operations in the DRC.

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

These consolidated financial statements (the "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 $2,789,279 during the year ended July 31, 2020 (year ended July 31, 2019 - $166,288) and has an accumulated deficit as at July 31, 2020 of $3,214,634 (July 31, 2019 - $425,355). 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 consolidated financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern.

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance 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").

These consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments which have been classified and measured at fair value. In addition, with the exception of cash flow information, these consolidated financial statements have been prepared using the accrual method of accounting.

All amounts in these consolidated financial statements are presented in Canadian dollars, the functional currency of the Company. The accounting policies set out below have been applied consistently.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on November 9, 2020.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, AJN Congo, which is located in Kinshasa, DRC.

The financial statements prior to March 23, 2020 (the incorporation date of the subsidiary) include only the accounts of the Company. Inter-company transactions and balances are eliminated upon consolidation.

c) Functional and presentation currency

Each entity within the Company has its results measured using the primary economic environment in which the entity operates. Judgment is necessary in assessing each entity's functional currency. The Company considers the primary and secondary indicators as part of its decision-making process. The consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits in banks.

b) Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost
Convertible debenture	Amortized cost

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Cash and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at amortized cost

Financial liabilities are recognized initially at fair value and subsequently measured at amortized cost and include accounts payable and accrued liabilities. Accounts payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable, accrued and settlement liabilities are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Impairment of financial instruments

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables, the Company has no material loss allowance as at July 31, 2020 and 2019.

c) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures 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 loss and comprehensive loss.

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)

d) Equipment

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided at rates calculated to write-off the cost of equipment, less their estimated residual value, using the declining balance method at 20% per annum. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

e) Impairment of non-financial assets

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets (mineral properties) and equipment are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value of the shares as of the date of issuance.

g) Share-based compensation

The Company has a stock option plan under which it may grant stock options to directors, employees, consultants and service providers.

The Company records a share-based compensation expense for all options granted to employees, or to those providing similar services, at the fair value of the equity instruments over the vesting period, with a corresponding increase in share-based payments reserve. Each transfer of an award is considered separately with its own vesting date and grant date fair value. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of each stock option at the date of grant. For awards with vesting conditions, a forfeiture rate is recognized at the grant date and is adjusted to reflect the number of awards expected to vest. As the options are exercised, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in share capital. The initial fair values of options that expire unexercised remain in share-based payments reserve.

For equity-settled share-based compensation to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received. If the fair value cannot be estimated reliably, then the Company would use the Black-Scholes Option Pricing Model. The Company has no cash-settled share-based compensation transactions.

h) Reserve

The Company records stock option expense, equity component of convertible debenture, and contributed surplus within reserve on the Statement of Changes in Shareholders' Equity. When stock options or convertible debenture are exercised into common shares, the applicable amount under reserve will be transferred to share capital. For vested and expired conversion features or options, the applicable amount under the reserve account will be transferred to contributed surplus, also under the reserve account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) 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.

l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Significant accounting judgements and estimates

The preparation of these consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Estimated useful life of equipment</u>

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

<u>Share-based compensation (stock options)</u>

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

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

<u>Environmental rehabilitation obligation</u>

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

(Expressed in Canadian dollars – unless otherwise noted)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

- 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. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

a) New accounting standard effective August 1, 2019

IFRS 16 – Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of the standard had no impact on the consolidated financial statements as the Company has no leases that meet the criteria for recognition.

b) Recent accounting pronouncements

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.

5. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses are comprised of the following as at July 31, 2020 and 2019:

	2020	2019
	$	$
Expense advances	**21,614**	-
Prepaid deposits	**97,020**	-
	118,634	-

(Expressed in Canadian dollars – unless otherwise noted)

6. 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 (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 $11,210 (USD $8,337) during the year ended July 31, 2020, compared to $16,338 (USD$12,247) during the year ended July 31, 2019. The Company is also obligated to complete an exploration development program with a first-year work requirement of USD$60,000 and a second-year work requirement of USD$80,000. As of July 31, 2020, the Company's exploration expenditures have met the work requirements and the Company has made the required annual filing fee payments.

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

During the year ended July 31, 2019, the Company acquired additional claims for $16,338 which are contiguous with, and therefore, have been incorporated into the Salt Wells Property. As at July 31, 2020 and 2019, the Company has submitted $19,142 (USD$14,161) towards a reclamation bond held with the Bureau of Land Management of Nevada.

During the year ended July 31, 2020, the Company incurred $37,571 (2019 - $47,442) in exploration expenditures. During the year ended July 31, 2020, the Company did not renew 58 of its 105 Salt Wells Property claims deemed to be non-essential and therefore recorded a write-down of $172,496 of its exploration asset.

	July 31, 2018	Net change	July 31, 2019	Net change	**July 31, 2020**
	$	$	$	$	**$**
Acquisition costs	42,839	16,338	59,177	11,210	**70,387**
Exploration costs					
Field expenses	58,263	41,273	99,536	19,023	**118,559**
Geological consulting	86,291	-	86,291	8,025	**94,316**
Geophysical	13,675	6,169	19,844	10,523	**30,367**
Total exploration costs	158,229	47,442	205,671	37,571	**243,242**
Write-down	-	-	-	(172,496)	**(172,496)**
Total	201,068	63,780	264,848	(123,715)	**141,133**

(Expressed in Canadian dollars – unless otherwise noted)

7. PROPERTY AND EQUIPMENT

	Computer equipment	**Furniture and fixtures**	**Total**
	$	$	$
Cost			
Balance, July 31, 2018 and 2019	-	-	-
Additions	15,957	24,255	40,212
Balance, July 31, 2020	**15,957**	**24,255**	**40,212**
Accumulated amortization			
Balance, July 31, 2018 and 2019	-	-	-
Amortization	(532)	(808)	(1,340)
Balance, July 31, 2020	**(532)**	**(808)**	**(1,340)**
Carrying amounts			
July 31, 2019	-	-	-
July 31, 2020	**15,425**	**23,447**	**38,872**

8. RELATED PARTY TRANSACTIONS

During the years ended July 31, 2020 and 2019, the Company paid the following amounts to directors and officers of the Company:

	2020	2019
	$	$
Consulting fees	**306,000**	78,000
Directors fees	**12,000**	-
Professional fees	**10,000**	-
	328,000	78,000

During the year ended July 31, 2020, the Company also issued stock options with a fair value of $274,666 (2019 - $nil) to directors and officers of the Company which is included in share-based compensation.

Amounts due to or from related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties. The amounts due to or from related parties as at July 31, 2020 and 2019 are included in accounts payable:

	July 31, 2020	July 31, 2019
	$	$
Due to directors and officers of the Company	**22,000**	5,000

9. SHARE CAPITAL

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

Share transactions

During the year ended July 31, 2020, the Company issued the following:

a) 5,000,000 common shares at $0.40 per share for gross proceeds of $2,000,000. In conjunction with the issuance the Company paid $34,950 in finder's fees for net proceeds of $1,965,050.
b) 225,000 common shares for gross proceeds of $22,500 for the exercise of stock options. Accordingly, the Company reallocated $16,247 from the reserve to share capital.

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 was received during the year ended July 31, 2020 for net proceeds of $1,086,250. In conjunction with the issuance the Company recorded $14,400 for share issuance costs related to the private placement.

Escrow shares

Under the escrow agreement dated January 19, 2018, 10% of the escrowed common shares are to be released from escrow on the date of listing on the CSE. Subsequent to listing, an additional 15% will be released every six months over a thirty-six month period. As at July 31, 2020, a total of 2,340,000 (July 31, 2019 – 4,680,000) shares were held in escrow.

Reserve

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

Stock options

During the year ended July 31, 2020, the Company granted 400,000 stock options exercisable at a price of $0.25 with a 5 year life, and 725,000 stock options exercisable at a price of $0.80 with a 5 year life. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of the options granted. The Company utilized the following assumptions: average volatility - 165%, average risk-free rate – 1.37% and a five-year term. Accordingly, the estimated grant date fair value of the options was $606,962 (2019 - $nil) and recorded as share-based compensation.

For the year ended July 31, 2019, no stock options were granted.

(Expressed in Canadian dollars – unless otherwise noted)

9. SHARE CAPITAL (CONTINUED)

The following table displays outstanding and exercisable stock options:

	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
	#	**$**	**Years**
Outstanding July 31,2018 and 2019	1,525,000	0.10	2.87
Issued	1,125,000	0.60	3.74
Exercised	(225,000)	0.10	-
Outstanding July 31, 2020	2,425,000	0.33	3.54

10. CONVERTIBLE DEBENTURE

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

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

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

1. By the holder at any time;

2. By the issuer, at any time after:

    a. The closing price on the CSE of the issuer's common shares has been equal to or greater than $2.00 per common share for a period of 15 consecutive trading days;

    b. Two years have elapsed from the date of issuance of the convertible debenture.

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

10. CONVERTIBLE DEBENTURE (CONTINUED)

Interest expense for the year ended July 31, 2020, was $8,185 (2019 - $nil) and is recorded as an accrued liability. Non-cash accretion expense for the year ended July 31, 2020, was $26,615 (2019 - $nil). As at July 31, 2020, the convertible debenture liability balance is $974,990.

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).

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

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

Credit risk

The Company's primary exposure to credit risk is its cash and cash equivalents of $2,384,496 at July 31, 2020 (July 31, 2019 - $1,232,382). 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2020, the Company had current liabilities totaling $ 106,406 and cash and cash equivalents of $ 2,384,496 (July 31, 2019 - $43,054 and $1,232,382, 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.

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 year ended July 31, 2020. The Company is not subject to any external covenants.

(Expressed in Canadian dollars – unless otherwise noted)

13. SEGMENTED INFORMATION

Operating segments

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

	July 31, 2020	July 31, 2019
Total assets	**$**	$
Canada	**1,967,321**	1,245,863
United States	**160,275**	283,990
DRC	**608,949**	-
	$2,736,545	$1,529,853

The Company's exploration and evaluation assets are currently located in the United States.

(Expressed in Canadian dollars – unless otherwise noted)

14. INCOME TAX

	July 31, 2020	July 31, 2019
	$	$
Loss before income taxes	**2,789,279**	166,288
Combined federal and provincial statutory income tax rates	**27%**	26%
Income tax recovery at statutory rates	**(753,105)**	(43,235)
Non-deductible differences	**204,596**	(1,794)
Change in unrecognized deductible temporary differences	**548,509**	45,029
Total income tax recovery	**-**	-

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant component of unrecognized deferred income tax assets at July 31, 2020 and July 31, 2019 are as follows:

	July 31, 2020	**July 31, 2019**
	($)	**($)**
Net operating losses carried forward	614,900	73,300
Share issue costs	9,900	3,000
Total unrecognized deferred income tax assets	**624,800**	**76,300**

At July 31, 2020, subject to confirmation by Canadian income tax authorities, the Company has approximately $2,277,000 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.

15. COMMITMENTS

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

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