



ARANJIN RESOURCES

ARANJIN RESOURCES LTD

(Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2021

(Expressed in Canadian dollars)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Aranjin Resources Ltd. ("the Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		June 30, 2021 (Unaudited) \$	December 31, 2020 (Audited) \$
	Notes		
Assets			
Current assets			
Cash		1,881,259	481,144
Advance for new license	4	1,418,476	3,834
Prepays and other receivables	4	78,119	33,041
Total current assets		3,377,854	518,019
Non-current assets			
Deferred exploration and evaluation assets	5,6	308,161	290,440
Total non-current assets		308,161	290,440
Total assets		3,686,015	808,459
Liabilities			
Current liabilities			
Trade and other payables	7	717,678	715,204
Other payables	7	1,814,400	-
Total current liabilities		2,532,078	715,204
Non-Current liabilities			
Convertible debentures	8	728,829	711,975
Total non-current liabilities		728,829	711,975
Total liabilities		3,260,907	1,427,179
Equity			
Share capital	9	20,510,109	18,923,609
Reserves	10,11	3,498,702	3,614,764
Accumulated other comprehensive loss		(899,713)	(955,463)
Deficit		(22,683,990)	(22,201,630)
Total equity		425,108	(618,720)
Total liabilities and equity		3,686,015	808,459

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

Nature of Operations and Going concern (note 1)

Approved and authorized by the Board of Directors on August 27, 2021:

Director
Matthew Wood

Director
Luis Azevedo

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

	Notes	Three months ended June 30, 2021 \$	Three months ended June 30, 2020 \$	Six months ended June 30, 2021 \$	Six months ended June 30, 2020 \$
Expenses					
Administrative expenses		(11,086)	(820)	(18,953)	(1,918)
Public company costs		(5,877)	(7,475)	(11,231)	(14,312)
Accounting, audit and tax fees		(17,661)	(37,651)	(27,240)	(75,201)
Legal fees		(34,485)	(26,030)	(35,689)	(43,544)
Consultant and director fees		(88,210)	(42,642)	(174,250)	(84,084)
Financing costs	8	(33,169)	(30,922)	(65,597)	(60,453)
Foreign exchange loss		280	103,889	173	103,741
Other expenses		(1,552)	-	(2,237)	(2,614)
Loss on warrants exercise		(148,354)	-	(148,354)	-
Gain on debt settlement		-	-	-	96,940
Loss on disposal of assets		-	(398,265)	-	(728,841)
Other income		103	-	1,020	-
Net loss for the period		(340,011)	(439,916)	(482,360)	(810,286)
Other comprehensive loss					
Exchange differences on translation of foreign operations		57,371	(168,501)	55,750	(758,932)
Total comprehensive loss for the period		(282,640)	(608,417)	(426,610)	(1,569,218)
Loss per share					
Basic and diluted		(0.0015)	(0.0030)	(0.0022)	(0.0055)
Weighted average number of common shares outstanding – basic	12	220,784,125	147,355,053	218,472,426	147,355,053

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

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

For the Six Months Ended		June 30, 2021	June 30, 2020
	Notes	\$	\$
Operating activities			
Net loss for the period		(482,360)	(810,286)
Items not involving cash:			
Financing cost	8	65,598	60,343
Foreign exchange movement		55,750	(119,550)
Loss on write off fixed assets		-	728,841
Gain on debt settlement		148,354	(96,940)
Changes in non-cash working capital items			
Inventory		-	5,759
Prepays and other receivables		(45,078)	(140,261)
Trade and other payables		2,474	99,198
Net cash outflow from operating activities		(255,262)	(272,896)
Investing activities			
New License Acquisition	15	(1,414,642)	-
Exploration and evaluation expenditure		(17,721)	-
Net cash outflow from investing activities		(1,432,363)	-
Financing activities			
Proceeds from private placement, net of cost		-	423,925
Proceeds from borrowings		-	146,877
Warrants exercised	11	1,322,083	-
Advance	15	1,814,400	-
Payment of interest on convertible debentures	8	(48,743)	-
Net cash inflow from financing activities		3,087,740	570,802
Net increase/(decrease) in cash		1,400,115	297,906
Cash at the beginning of the period		481,144	10,391
Cash at the end of the period		1,881,259	308,297

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

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Reserves	Accumulated other comprehensive loss	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance as at January 1, 2021	216,135,041	18,923,609	3,614,764	(955,463)	(22,201,630)	(618,720)
Warrants exercised	26,441,666	1,586,500	(116,053)	-	-	1,470,437
Loss for the period	-	-	-	-	(482,360)	(482,360)
Other comprehensive loss	-	-	-	55,750	-	55,750
Balance as at June 30, 2021	242,576,707	20,510,109	3,498,702	(899,713)	(22,683,898)	425,108
Balance as at January 1, 2020	132,764,652	17,436,099	3,525,303	(763,311)	(20,699,461)	(501,370)
Shares issued to settle debt	9,693,960	387,758	-	-	-	387,758
Private placement, net of costs	28,868,333	195,573	-	-	-	195,573
Warrants issued	-	-	226,350	-	-	226,350
Loss for the period	-	-	-	-	(810,286)	(810,286)
Other comprehensive loss	-	-	-	(758,932)	-	(758,932)
Balance as at June 30, 2020	171,326,945	18,019,430	3,751,653	(1,522,243)	(21,509,747)	(1,260,907)

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

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

On May 15, 2014, Aranjin Resources Ltd. (the "Company") (formerly Five Star Diamonds Limited), was incorporated under the laws of the British Virgin Islands.

The registered office of the Company is located at 595 Howe St, Suite 704, Vancouver, British Columbia V6C 2T5. The records of the Company are located at Suite 400, 90 Adelaide Street West, Toronto, Canada, M5H 3V9.

The Company's common shares commenced trading on the TSX-V under the symbol "STAR" on April 25, 2017. Upon the name change of the Company to Aranjin Resources Ltd, the trading symbol on the TSX-V changed to "ARJN" on June 12, 2020.

On October 28, 2020, the Company acquired Mongolian copper project Bayan Undur Resources comprising four mining licenses through Aranjin Resources LLC (a wholly owned subsidiary of the Company incorporated on September 23, 2019 under the laws of Mongolia) (note 15). The Company operates in the business of mining, mineral and resource exploration and development, previously focused on exploration and development of mineral properties in Brazil. The Company is now primarily engaged in the exploration and development of mineral properties in Mongolia.

The COVID-19 pandemic has resulted in significant disruption to the Company's operations during the financial year. The Company has been experiencing ongoing adverse impacts on pending license acquisitions as well as the Company's exploration program. This issue continues to impact the timing of exploration work. Preventative measures are in place to ensure the well-being of contractors and no risks were noted at the end of the reporting period. Management is monitoring the business environment as a result to ensure minimal disturbances to business operations. The Company continues to be conduct some on site and desktop exploration work on existing and potential new licenses as of the current date.

These condensed interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Since inception, the Company has incurred ongoing losses and had a cumulative deficit of \$22,683,990 as at June 30, 2021 (December 31, 2020: \$22,201,630). These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. These condensed interim consolidated financial statements do not reflect any adjustments, which could be material, that may be necessary if the Company is unable to continue as a going concern.

2. Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 27, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the three and six months ended June 30, 2021 except as noted below in note 3.

Any subsequent changes to IFRS that are given effect in the Company's audited financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

3. New Accounting Standards Adopted

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

4. Advance, prepaids and other receivables

	June 30, 2021	December 31, 2020
	\$	\$
Prepaid expenses	3,667	-
Other receivables	30,000	-
Sales tax receivable	44,452	33,041
Prepays and other receivables	78,119	33,041
Advance for new license	1,418,476	3,834

5. Acquisition of Bayan Undur Project

On October 28, 2020, the Company acquired all the issued and outstanding shares of BK Mining LLC ("BK Mining") and indirectly, all the issued and outstanding shares of Bayan Undur Resources LLC ("BU Resources"), BK Mining's wholly owned subsidiary. The acquired business was purchased for 14 million Mongolian Tugrik (\$6,481). As BK Mining did not meet the definition of a business combination per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to pay cash consideration for the net assets of BK Mining and indirectly, BU Resources at their fair value as follows:

Fair Value of net assets acquired:	October 28, 2020
Cash	\$ 147
Net non-cash working capital	(283,110)
Mineral property licenses ("Bayan Undur Project")	295,495
Net assets acquired	\$ 12,532

Transaction costs directly associated with the acquisition totaled \$6,051 and were capitalized as part of the transaction. The fair value of mineral property licenses was capitalized in deferred exploration and evaluation expenditures on the date of acquisition.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

6. Deferred Exploration and Evaluation Expenditure

	June 30, 2021	December 31, 2020
	\$	\$
Balance at beginning of the period	290,440	-
Expenditures incurred	27,874	3,887
Purchase of Bayan Undur Project	-	295,495
Foreign currency adjustment	(10,153)	(8,942)
Balance at end of the period	308,161	290,440

On October 28, 2020, the Company completed the acquisition of Bayan Undur Project which comprises of four mining licenses (Note 5).

7. Trade and Other Payables

	June 30, 2021	December 31, 2020
	\$	\$
Trade and other payables	570,789	550,815
Accrued expenses	146,889	164,389
Trade and other payables	717,678	715,204
Other Payables (Note 15)	1,814,400	-

8. Convertible Debentures

In August 2018, the Company completed non-brokered private placement of 653 convertible debenture units (the "Convertible Debenture Units") for \$653,000 at a price of \$1,000 per Convertible Debenture Unit with its largest shareholder, R&R Venture Partners ("R&R"), (the "Offering"). Each Convertible Debenture Unit consisted of: (i) one \$1,000 principal amount of 12% unsecured convertible debenture (a "Convertible Debenture"); and (ii) 500 Common Share purchase warrants (each, a "Warrant") of the Company. The proceeds of the Convertible Debenture Units were used in the drilling program at Catalao and for working capital.

The Convertible Debentures bear interest from the date of closing at 12% per annum, calculated and payable quarterly in arrears on March 31, June 30, September 30 and December 31 in each year, and will mature August 2, 2023 (the "Maturity Date"). On August 2, 2020, the date that is 24 months from the date of issuance, interest payable on the outstanding principal amount of the Convertible Debentures was capitalized and the Company started paying interest on the outstanding principal accordingly.

The Convertible Debentures are unsecured obligations of the Company and rank pari passu in right of payment of principal and interest with all other Convertible Debentures issued under the Offering. The obligations of the Company under the Convertible Debentures will be jointly and severally guaranteed by the Company's material subsidiaries.

The Convertible Debentures are convertible at the option of the holder into Common Shares at any time prior to the close of business on the Maturity Date at a conversion price of \$0.20 per Common Share (the "Conversion Price"). Each Warrant will be exercisable to acquire one Common Share (a "Warrant Share") at an exercise price of \$0.20 per Warrant for a period of 36 months following issuance, subject to customary adjustments in certain events.

The convertible debentures were determined to be compound instruments, comprising a debt, a conversion feature, and warrants. As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 20%. Using the residual method, the carrying amount of the conversion feature and the warrants issued that were measured at fair value using the Black Scholes model is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position.

The debentures, net of the equity components and issue costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

8. Convertible Debentures (continued)

During the six months ended June 30, 2021, accretion expenses totaling \$65,598 (June 30, 2020 - \$60,453) were recognized in the statement of loss and comprehensive loss and \$48,743 interest expense was paid in cash to the holder of the Convertible Debentures (June 30, 2020 - \$nil).

	Proceeds \$	Debt component \$	Equity component conversion option \$	Equity component warrants \$
Balance, January 1, 2020	653,000	626,951	151,281	11,613
Accretion expense	-	125,577	-	-
Interest payments	-	(40,553)	-	-
Balance, December 31, 2020	653,000	711,975	151,281	11,613
Accretion expense	-	65,597	-	-
Interest payments	-	(48,743)	-	-
Balance, June 30, 2021	653,000	728,829	151,281	11,613

9. Share Capital

(a) Issued and paid-up capital

	Number of common shares	Amount \$
Balance, December 31, 2018 and 2019	132,764,652	17,436,099
Shares issued to settle debt (c)	16,703,723	864,764
Shares issued under private placement (d)	66,666,666	622,746
Balance, December 31, 2020	216,135,041	18,923,609
Warrants exercised (e)	26,441,666	1,586,500
Balance, June 30, 2021	242,576,707	20,510,109

(b) Common shares

The Company does not have authorized capital nor par value in respect of its issued capital. Common shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Common shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(c) Shares issued to settle debt

On February 25, 2020, the Company issued 9,693,960 common shares in connection with a service agreement entered into in 2018 for drilling completed on the Company's Brazilian properties. As part of the settlement, \$484,698 was transferred from reserves to share capital for amount previously recognized as shares to be issued. Additionally, amounts totaling \$64,626 were recognized in share capital and as a loss on settlement of debt in the statement of loss and comprehensive loss, representing the fair value of shares issued in excess of the original agreement.

On November 17, 2020, the Company issued a total of 7,009,763 common shares with a fair value of \$315,440 in settlement of \$700,776 owed to past and current directors and consultants, resulting in a gain on settlement of debt totaling \$385,336 included in the statement of loss and comprehensive loss for the year ended December 31, 2020.

(d) Private placement

On June 10, 2020 and July 3, 2020, the Company completed a non-brokered private placement issuing 66,666,666 units of the Company at a price of \$0.015 per unit for gross proceeds of \$1,000,000 less cash issuance costs totaling \$84,463. Each unit is comprised of one common share of the Company and one common share purchase warrant with each warrant exercisable for one common shares at a price of \$0.05 per share for a period of 12 months from closing.

Net proceeds were allocated to common shares and warrants using the relative fair value method. The fair value of warrants was valued at \$319,022 and estimated based on the Black Scholes pricing model using a share price of \$0.015 - \$0.025, risk-free interest rate of 0.25% - 0.26%, an expected dividend yield of 0%, volatility rate of 176% - 193% and an expected useful life of 1 year.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(e) Warrants exercise

On June 15, 2021, the Company issued total of 26,441,666 common shares for the exercise of previously issued warrants on June 10 and July 3, 2020 at a price of \$0.05 per share with the cash proceeds of \$1,322,083. The fair value of the warrants recognized using Black Scholes pricing model of \$116,062.50 has been transferred to share capital resulting in a loss of \$148,354 on warrants exercise in the consolidated statement of loss and comprehensive loss. Expired warrants value of \$176,563 has been reclassified as contributed surplus within the equity reserves.

10. Stock Options

The following table reflects the continuity of stock options for the six months ended June 30, 2021 and for the year ended December 31, 2020:

	Number of Stock Options	Weighted Average Exercise Price \$
Balance – January 1, 2020	5,970,000	0.30
Forfeited	(870,000)	0.30
Issued – July 24, 2020	9,750,000	0.05
Balance – December 31, 2020	14,850,000	0.14
Balance – June 30, 2021	14,850,000	0.14

As at June 30, 2021, there are 14,850,000 unissued common shares under options. The details of the options are as follows:

Number of Options			Remaining Contractual Life	Number of	Grant Date
Outstanding	Exercise Price \$	Expiry Date	(years)	Options Vested	Fair Value \$
4,000,000	\$0.30	February 12, 2023	1.62	4,000,000	0.189/Option
1,100,000	\$0.30	April 25, 2023	1.82	1,100,000	0.112/Option
9,750,000	\$0.05	July 17, 2022	1.05	9,750,000	0.029/Option

On July 17, 2020, the Company granted 9,750,000 options with an exercise price of \$0.05 per common share, vesting immediately and expiring on July 17, 2022, to directors and consultants of the Company.

The fair value at grant date of options granted of \$281,534 on July 17, 2020 was determined using the Black Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.04; dividend yield – 0%; expected volatility (based on historical price data of the Company) – 163%; risk-free interest rate – 0.27%; and an expected life – 2 years. The options vested immediately and \$281,534 was expensed in the consolidated statement of loss and comprehensive loss the year ended December 31, 2020.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

11. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2021 and for the year ended December 31, 2020:

	Number of Warrants	Weighted Average Exercise Price \$
Balance – January 1, 2020	326,500	0.2
Private placement warrants – June 10, 2020	28,868,333	0.05
Private placement warrants – July 3, 2020	37,798,333	0.05
Balance – December 31, 2020	66,993,166	0.05
Exercised warrants – June 15, 2021 (Note 9(e))	(26,441,666)	0.05
Expired warrants – June 10, 2021 (Note 9(e))	(6,760,000)	0.05
Expired warrants – July 3, 2021 (Note 9(e))	(33,465,000)	0.05
Balance – June 30, 2021	326,500	-

As at June 30, 2020 there are 326,500 warrants outstanding as follows:

Number of Warrants outstanding	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Grant Date Fair Value \$
326,500	\$0.20	August 2, 2021	0.34	11,613

12. Net Loss per Common Share

	June 30, 2021 \$	June 30, 2020 \$
Loss used in calculating basic and diluted loss per share	(482,360)	(810,286)
Weighted average number of common shares used in calculating basic and diluted loss per share:	218,472,426	147,355,053

Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

13. Related Party Disclosures

The Company's related parties include its subsidiaries and key management personnel.

During the six months ended June 30, 2021 and 2020, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	June 30, 2021 \$	June 30, 2020 \$
Short term employee benefits	140,791	83,934
Total remuneration	140,791	83,934

As at June 30, 2021 there was a payable balance to the related parties \$89,823 compared to the six months ended June 30, 2020 of \$398,864.

During the year ended December 31, 2020, the Company entered into a non-binding term sheet with Steppe Gold Ltd ("Steppe") to sell a 50% interest in all gold contained in a prospective exploration license. As part of the agreement, Steppe advanced a non-refundable initial deposit of US\$50,000 to Aranjin. Bataa Tumur-Ochir and Matthew Wood are also directors of the board of Steppe and Jeremy South is also the CFO of Steppe. This transaction is still pending as the acquisition of the relevant license has not closed.

On August 10, 2021, the Company closed, in escrow, the issuance of convertible debentures to Steppe Gold Ltd. for gross proceeds of \$1,814,400.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months ended June 30, 2021

(Expressed in Canadian Dollars)

14. Sale of Brazilian subsidiary

On July 17, 2020, the Company completed the sale of all the issued and outstanding shares of its Brazilian subsidiary, Five Star Mineracao Ltda, to a private investor group for future consideration. In connection with the divestment, the net assets of Five Star Mineracao Ltda were derecognized on the date of sale.

The total consideration payable by the purchaser is composed of a cash payment of up to \$4,000,000 plus a 1% NSR on any production at the Catalão Project, based on future sales locally or exported.

The cash payment portion of the purchase price will be due when the Catalão Project becomes operational, per below:

- \$500,000 within 6 months after start of commercial production of Altered Zone;
- \$500,000 within 12 months after start of commercial production of Altered Zone;
- \$1,000,000 within 6 months after start of commercial production of Fresh Rock;
- \$2,000,000 within 12 months after start of commercial production of Fresh Rock

As it remains undetermined whether the Company will be successful in collecting the future consideration payable and royalties, \$nil consideration has been recognized on the sale of the Company's Brazilian subsidiary and a loss on sale of subsidiary totaling \$651,123 has been included in the statement of loss and comprehensive loss for the year ended December 31, 2020.

15. Acquisition of Sharga Project

On May 19, 2021, the Company has entered into an agreement to acquire the highly prospective Sharga Copper Project. The Sharga Project is located in the Gobi Altai region of Mongolia near the Chinese border and is comprised of one Mineral Exploration License covering over 9,000 hectares.

On July 19, 2021, the Company announced that the completion of the acquisition remains on track. The Company has received conditional approval of the acquisition from the TSXV Venture Exchange ("TSXV") and is in the process of satisfying the conditions stipulated by the TSXV approval letter. Closing the acquisition is subject to final approval of the TSXV.

On August 10, 2021, the Company closed in escrow, the proposed \$1,814,400 unsecured convertible debenture financing to be used to fund the cash portion of the Sharga Project acquisition consideration. The debenture has a term of 12 months and bear interest at a rate of 15% per annum to be accrued and paid at maturity in cash, or at the option of the Company, in common shares. The principal amount of the debenture is convertible at any time during the term into common shares of the Company at a price of \$0.055 per share. In addition, the Company has agreed to grant the debenture holder a 1% net smelter returns royalty over the Sharga Project. The completion of the financing remains subject to the receipt of the final approval of the TSX Venture Exchange, which will be issued in connection with the completion of the acquisition of the Sharga Copper Project.