



ARANJIN RESOURCES

ARANJIN RESOURCES LTD
(Formerly Five Star Diamonds Limited)

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars)

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

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

As at		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	Notes	\$	\$
Assets			
Current assets			
Cash	4	690,783	10,391
Other receivables	5	42,415	9
Inventory		-	25,081
Total current assets		733,198	35,481
Non-current assets			
Property, plant and equipment	6	-	1,135,416
Total non-current assets		-	1,135,416
Total assets		733,198	1,170,897
Liabilities			
Current liabilities			
Trade and other payables	8	1,033,578	1,029,196
Loan payable	14	-	16,120
Total current liabilities		1,033,578	1,045,316
Non-Current liabilities			
Convertible debentures	9	703,908	626,951
Total non-current liabilities		703,908	626,951
Total liabilities		1,737,486	1,672,267
Equity			
Share capital	10	18,426,861	17,436,099
Reserves	11	2,452,641	2,761,992
Deficit	13	(21,883,791)	(20,699,461)
Total equity		(1,004,289)	(501,370)
Total liabilities and equity		733,197	1,170,897

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)
Subsequent events (note 16)

Approved and authorized by the Board of Directors on November 27, 2020:

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 September 30, 2020 \$	Three months ended September 30, 2019 \$	Nine months ended September 30, 2020 \$	Nine months ended September 30, 2019 \$
Revenue					
Other income		58,495	9	58,497	216
Expenses					
Administrative expenses		(93)	(1,785)	(2,011)	(6,289)
Public company costs		(21,987)	(781)	(36,299)	(24,732)
Accounting, audit and tax fees		(22,664)	(45,232)	(97,865)	(136,456)
Legal fees		(20,733)	(3,056)	(64,277)	(27,197)
Consultant and director fees		(80,674)	(20,475)	(164,758)	(61,425)
Stock based compensation	11	(78,849)	-	(78,849)	-
Depreciation		-	(7,126)	-	(20,228)
Financing cost	9	(32,349)	(27,443)	(92,802)	(78,688)
Foreign exchange loss		(100,802)	(52)	2,939	(4,771)
Advertising and marketing		-	(1,181)	-	(6,159)
Travel and accommodation		625	(182)	(1,989)	(182)
Other expenses		(3,084)	(119)	(3,084)	(4,943)
Gain on debt settlement	10	-	-	96,939	-
Loss on disposal of assets	6	40,525	(783)	(688,316)	(437,647)
Loss on disposal of Brazilian subsidiary	16	(112,455)	-	(112,455)	-
Net loss for the period		(374,046)	(108,226)	(1,184,330)	(808,501)
Other comprehensive income, net of income tax					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		1,459,500	365,385	700,568	130,881
Other comprehensive income for the period, net of tax		1,459,500	365,385	700,568	130,881
Total comprehensive income for the period		1,085,454	257,159	(483,762)	(677,620)
Loss per share					
Basic and diluted		(0.0018)	(0.0008)	(0.0071)	(0.0063)
Weighted average number of common shares outstanding – basic	13	208,303,575	129,032,235	166,779,676	129,032,235

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 Nine Months Ended		September 30, 2020	September 30, 2019
	Notes	\$	\$
Operating activities			
Net loss for the period		(1,184,330)	(808,501)
Items not involving cash:			
Depreciation		-	20,228
Financing cost	9	92,802	78,688
Stock based compensation	11	78,849	-
Loss on sales of Brazilian subsidiary	16	112,455	-
Foreign exchange movement		(2,939)	(78,740)
Loss on write off fixed assets	6	688,316	437,647
Gain on debt settlement	10	(96,939)	-
Changes in non-cash working capital items			
Inventory		25,081	(1,552)
Trade and other receivables		(42,406)	22,779
Trade and other payables		4,382	162,645
Net cash outflow from operating activities		(324,729)	(166,806)
Investing activities			
Proceeds from the sale of plant and equipment		-	36,794
Exploration and evaluation expenditure		-	(87,762)
Net cash outflow from investing activities		-	(50,968)
Financing activities			
Proceeds from private placement	10	1,000,000	-
Transaction cost for share issuance	10	(39,011)	-
GST refund		43,403	-
Proceeds from borrowings		-	26,190
Net cash inflow from financing activities		1,004,392	26,190
Net increase/(decrease) in cash and cash equivalents		679,663	(191,584)
Cash and cash equivalents at the beginning of the period		10,391	206,895
Foreign Exchange variances on cash		728	(4,772)
Cash and cash equivalents at the end of the period		690,782	10,539

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	Issued capital	Foreign currency translation reserve	Share based payments reserve	Deficit	Total equity
	Notes		\$	\$	\$	\$	\$
Current period							
Balance as at January 1, 2020		132,764,652	17,436,099	(763,311)	3,525,303	(20,699,461)	(501,370)
Shares issued to settle debt		9,693,960	387,758	-	-	-	387,758
Shares issued under private placement	10	66,666,666	658,777	-	-	-	658,777
Transaction costs on share issue	10	-	(55,773)	-	-	-	(55,773)
Warrants issued	12	-	-	-	312,368	-	312,368
Stock based compensation	11	-	-	-	78,849	-	78,849
Loss for the period		-	-	-	-	(1,184,330)	(1,184,330)
Other comprehensive income, net of income tax		-	-	(700,568)	-	-	(700,568)
Balance as at September 30, 2020		209,125,278	18,426,861	(1,463,879)	3,916,520	(21,883,791)	(1,004,289)
Balance as at January 1, 2019							
		132,764,652	17,436,099	(236,648)	3,525,303	(13,942,537)	6,782,217
Loss for the period		-	-	-	-	(808,501)	(808,501)
Other comprehensive income, net of income tax		-	-	130,882	-	(366,181)	(235,299)
Balance as at September 30, 2019		132,764,652	17,436,099	(105,766)	3,525,303	(15,117,219)	5,738,417

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 Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Aranjin Resources Ltd ("the Company") is primarily engaged in the exploration and development of mineral properties in Mongolia.

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.

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.

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 \$21,883,791 as at September 30, 2020 (December 31, 2019: \$20,699,461). 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 unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 19, 2020 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 nine months ended September 30, 2020 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, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

3. Adopted Accounting Policies

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has adopted IFRS 16 in its financial statements for the period beginning on January 1, 2019. The adoption of IFRS 16 had no impact on the on the condensed interim consolidated financial statements.

4. Cash

	September 30, 2020	December 31, 2019
	\$	\$
Cash at bank and on hand	690,783	10,391
	<u>690,783</u>	<u>10,391</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

5. Deposits and Other Receivables

	September 30, 2020	December 31, 2019
	\$	\$
Prepaid expenses on new projects	13,386	-
GST receivable	29,029	9
	<u>42,415</u>	<u>9</u>

6. Property, Plant and Equipment

	Plant and equipment	Motor vehicles	Computer equipment	Furniture and fittings	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
Balance at January 1, 2020	1,254,242	-	4,949	4,624	1,263,815
Foreign currency differences	(166,892)	-	(693)	(648)	(168,233)
Disposals	(1,087,350)	-	(4,256)	(3,976)	(1,095,582)
Balance at September 30, 2020	-	-	-	-	-
<i>Accumulated depreciation and impairment</i>					
Balance at January 1, 2020	(124,141)	-	(2,395)	(1,863)	(128,399)
Foreign currency differences	(669)	-	313	243	(113)
Disposals	124,810	-	2,082	1,620	128,512
Balance at September 30, 2020	-	-	-	-	-
<i>Carrying value</i>					
September 30, 2020	-	-	-	-	-
<i>Cost</i>					
Balance at January 1, 2019	1,997,486	-	4,986	5,394	2,007,866
Foreign currency differences	(133,960)	-	(37)	(770)	(134,767)
Disposals	(609,284)	-	-	-	(609,284)
Balance at December 31, 2019	1,254,242	-	4,949	4,624	1,263,815
<i>Accumulated depreciation and impairment</i>					
Balance at January 1, 2019	(286,133)	-	(1,786)	(1,611)	(289,530)
Foreign currency differences	(67,172)	-	(609)	(252)	(68,033)
Depreciation expensed or capitalized	15,003	-	-	-	15,003
Disposals	214,161	-	-	-	214,161
Balance at December 31, 2019	(124,141)	-	(2,395)	(1,863)	(128,399)
<i>Carrying value</i>					
December 31, 2019	1,130,101	-	2,554	2,761	1,135,416

During the nine months ended September 30, 2020, \$nil (nine months ended September 30, 2019: \$364,242) was capitalised to the deferred exploration and evaluation expenditures.

During the nine months ended September 30, 2020, the Company wrote off certain tangible assets with a net book value of \$967,071 due to the Company's decision to focus on other projects.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020
(Expressed in Canadian Dollars)

7. Deferred Exploration and Evaluation Expenditure

	September 30, 2020	December 31, 2019
	\$	\$
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of the year	-	6,102,916
Expenditure incurred	-	197,852
Sold during the year	-	(46,392)
	-	6,254,376
Foreign currency differences	-	(424,274)
Expenditure written off	-	(5,830,102)
Total exploration and evaluation expenditure	-	-

As at December 31, 2019, management of the Company decided to write off the Deferred exploration and evaluation expenditures as the Company has no further exploration or evaluation activities planned or budgeted for the underlying projects in the foreseeable future.

8. Trade and Other Payables

	September 30, 2020	December 31, 2019
	\$	\$
Trade and other payables	868,342	753,758
Convertible Debentures interest payable	15,846	-
Accrued expenses	149,390	275,438
	<u>1,033,578</u>	<u>1,029,196</u>

As at September 30, 2020, the Company owed a total of \$700,976 to past and current directors and consultants. The Company settled all the outstanding debt by issuing shares at an implied price of \$0.10 per share after reporting period. Convertible debentures interest payable of \$15,846 has been paid after the reporting period.

9. 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.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020
(Expressed in Canadian Dollars)

9. Convertible Debentures (continued)

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.

On August 2, 2020, interest payable on the outstanding principal amount of the Convertible Debentures of \$166,123 was capitalized and \$15,846 of interest payable was recorded as at September 30, 2020 and paid after the reporting period.

	Proceeds \$	Debt component \$	Equity component conversion option \$	Equity component warrants \$
Balance, January 1, 2019	653,000	521,269	151,281	11,613
Accretion and unpaid interest	-	105,682	-	-
Balance, December 31, 2019	653,000	626,951	151,281	11,613
Accretion and unpaid interest	-	92,802	-	-
Balance, September 30, 2020	653,000	703,908	151,281	11,613

10. Issued Capital

	September 30, 2020	December 31, 2019
(a) Issued and paid up capital	\$	\$
Ordinary shares fully paid	18,019,430	17,436,099
	Number of common shares	Amount \$
Balance, January 1, 2020	132,764,652	17,436,099
Shares issued to settle debt (c)	9,693,960	387,758
Shares issued under private placement (d)	66,666,666	603,004
Balance, June 30, 2020	209,125,278	18,426,861

(b) Ordinary shares

The Company does not have authorized capital nor par value in respect of its issued capital. Ordinary 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. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020
(Expressed in Canadian Dollars)

10. Issued Capital (continued)

(c) Shares issued to settle debt

On February 26, 2020, the Company announced that it has issued Common Shares in payment of drilling services provided to the Company pursuant to a drilling for shares arrangement previously announced on April 17, 2018. The Company settled an aggregate amount of \$484,698 owing to the drilling contractor for drilling completed on the Company's Brazilian diamond properties through the issuance of 9,693,960 Common Shares at a deemed issuance price of \$0.05 per Common Share, all in accordance with the drilling contract entered between the Company and the drilling contractor. Gain on debt of \$96,939 recognized is a result of the difference between the payable amount of \$484,698 and share capital issuance at market price \$0.04, or \$387,758.

(d) Private placement

On June 10, 2020 and on July 3, 2020, the Company had completed its previously announced 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. 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. The amount \$658,777 of share capital component of two tranche equity financing is valued using Black Scholes pricing model using: share price - \$0.05; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 147%; 149%; risk-free interest rate - 0.25%; 0.26%; and an expected life - 1 year. During the nine months ended September 30, 2020, cost of issuance that is attributable to the equity component was \$55,773.

11. Share Options

The following table reflects the continuity of stock options for the six months ended June 30, 2020:

	Number of Stock Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance – January 1, 2019	12,870,000	0.32	
Expired – May 5, 2019	(5,000,000)	0.36	
Expired – November 19, 2019	(1,900,000)	0.30	
Balance – December 31, 2019	5,970,000	0.30	
Expired – January 1, 2020	(870,000)		
Issued – July 24, 2020	9,750,000	0.03	
Balance – September 30, 2020	14,850,000	0.10	2.02

On February 12, 2018, the Company issued 6,670,000 options with an exercise price of \$0.30 and an expiry date of February 12, 2023, to directors and consultants of the Company. The options vested immediately on issue.

On April 25, 2018, the Company issued 1,200,000 options with an exercise price of \$0.30 and an expiry date of April 25, 2023, to directors and consultants of the Company. The options vested immediately on issue.

On July 24, 2020, the Company has issued 9,750,000 options with an exercise price of \$0.05 and an expiry date of July 24, 2022, to directors and consultants of the Company. The options vested on the grant date.

As at September 30, 2020, there are 14,850,000 unissued ordinary shares under options. The details of the options are as follows:

Number of Options Outstanding	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Number of Options Vested	Grant Date Fair Value \$
4,000,000	\$0.30	12/02/2023	2.37	4,000,000	0.189/Option
1,100,000	\$0.30	25/04/2023	2.57	1,100,000	0.112/Option
9,750,000	\$0.05	24/07/2022	1.81	9,750,000	0.008/Option

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020
(Expressed in Canadian Dollars)

11. Share Options (continued)

The fair value at grant date of options granted of \$1,258,211 on February 12, 2018 was determined using the Black Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.24; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 114.3%; risk-free interest rate - 1.98%; and an expected life - 5 years. The options vested immediately and \$1,258,211 was expensed in the consolidated statement of income (loss) as at year ended December 31, 2018.

The fair value at grant date of options granted of \$134,758 on April 25, 2018 was determined using the Black Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.155; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 112%; risk-free interest rate - 2.12%; and an expected life - 5 years. The options vested immediately and \$134,758 was expensed in the consolidated statement of income (loss) as at year ended December 31, 2018.

The fair value at grant date of options granted of \$78,849 on July 24, 2020 was determined using the Black Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.03; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 94%; risk-free interest rate - 0.27%; and an expected life - 2 years. The options vested immediately and \$78,849 was expensed in the consolidated statement of income (loss) as at nine months ended September 30, 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.

12. Warrants

The following table reflects the continuity of warrants for the nine months ended September 30, 2020:

	Number of Warrants	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance – January 1, 2019	1,670,460	0.28	0.75
Expired – April 20, 2019	(1,343,960)	0.30	
Balance – December 31, 2019	326,500	0.00	0.84
Private placement warrants – June 10	28,868,333	0.05	0.69
Private placement warrants – July 3	37,798,333	0.05	0.75
Balance – September 30, 2020	66,993,166	0.05	

On June 10, 2020, the Company issued 28,868,333 units of the Company at a price of \$0.015 per unit for gross proceeds of \$433,025. Each unit is comprised of one common share of the Company and one common share purchase warrant with each warrant exercisable for one common share at a price of \$0.05 per share for a period of 12 months from closing.

The fair value at grant date of warrant granted of \$131,940 on June 10, 2020 was determined using the Black Scholes pricing model, deducting transaction cost of \$15,144. The following weighted average assumptions were used: share price - \$0.05; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 147%; risk-free interest rate - 0.25%; and an expected life - 1 year.

On July 3, 2020, the Company issued 37,798,333 units of the Company at a price of \$0.015 per unit for gross proceeds of \$566,975. Each unit is comprised of one common share of the Company and one common share purchase warrant with each warrant exercisable for one common share at a price of \$0.05 per share for a period of 12 months from closing.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

12. Warrants (continued)

The fair value at grant date of warrant granted of \$180,428 on July 3, 2020 was determined using the Black Scholes pricing model, deducting transaction cost of \$13,711. The following weighted average assumptions were used: share price - \$0.05; dividend yield - 0%; expected volatility (based on historical price data of similar companies) - 149%; risk-free interest rate - 0.26%; and an expected life - 1 year.

As at September 30, 2020 there are 66,993,166 warrants outstanding as follows:

Number of Warrants outstanding	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Grant Date Fair Value \$
326,500	\$0.20	2/8/2021	0.84	11,613
28,868,333	\$0.05	6/10/2021	0.69	131,940
37,798,333	\$0.05	7/3/2021	0.75	180,428

13. Net Loss per Common Share

	September 30, 2020 \$	September 30, 2019 \$
Loss used in calculating basic and diluted loss per share	(1,184,330)	(808,501)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share:	166,779,676	129,032,235

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

14. Related Party Disclosures

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

During the nine months ended September 30, 2020 and 2019, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	September 30, 2020 \$	September 30, 2019 \$
Short term employee benefits	154,698	40,950
Total remuneration	154,698	40,950

As at September 30, 2020, the Company owed total of \$557,111 to directors, management and FFA Legal Ltda, a company in which Mr. Azevedo is a director. The outstanding amount has been settled in shares after the reporting period.

Other transactions with Key Management Personnel

On February 12, 2018 and April 20, 2018, the Company issued 5,800,000 and 1,100,000 options respectively to directors. On July 24, 2020, the Company has granted 7,500,000 stock options to directors. As at September 30, 2020, there were 12,600,000 options outstanding to current directors of the Company:

Name	Number	Value
Matthew Wood	3,100,000	\$313,951
Luis Azevedo	3,100,000	\$313,951
Jeremy South	2,500,000	\$124,131
Solongo Gunsendorj	1,500,000	\$12,131
Bataa Tumur-Ochir	1,500,000	\$12,131
Max Jahn	600,000	\$113,182
Gizman Abbas	300,000	\$48,927

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

14. Related Party Disclosures (continued)

b) Subsidiaries

The condensed interim consolidated financial statements incorporate the assets, liabilities and results of Aranjin Resources Ltd and the following subsidiaries:

Name of Entity	Country of Incorporation	Equity Holding	
		Sep-20	Dec-19
FSD Holdings Limited	BVI	100%	100%
FSD Brazil Limited	BVI	100%	100%
Aranjin Resources LLC	Mongolia	100%	0%
1030301 BC Ltd	Canada	100%	100%
Diamond Blockchain Limited	Canada	100%	100%

On February 13, 2018, the Company incorporated a wholly owned Canadian domiciled subsidiary called Diamond Blockchain Limited.

On July 1, 2020, the Company incorporated a wholly owned Mongolian domiciled subsidiary called Aranjin Resources LLC in Mongolia.

15. Copper Acquisition

On July 3, 2020, the Company announced that it had agreed to revised terms for the proposed acquisitions of the four mining licenses comprising the 2,773 hectare Bayan Undur Project located in Bayankhongor province in consideration of the issuance by the Company to the vendor of 10 million common shares of the Company.

On October 30, 2020, the Company completed the acquisition of the Bayan Undur (“BU”) project. The Company acquired all of the shares of BK Mining LLC, which is the indirect 100% owner of the BU project, for nominal cash consideration. The Company was able to favorably renegotiate the consideration payable for the acquisition from that originally agreed and previously announced. The Company commenced preliminary work at the BU project in July 2020.

16. Sale of Brazilian subsidiary

On July 21, 2020, the Company announced that it has concluded an agreement to divest its Brazilian subsidiary, Five Star Mineracao Ltda, to a private investor group for future consideration and it had transferred all related assets and liabilities to the purchaser.

The total consideration payable by the purchaser is composed of a cash payment of up to C\$4M 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:

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

The Company has recorded a \$112,455 loss on sale of Brazilian subsidiary with \$Nil consideration recognized as at September 30, 2020.

Aranjin Resources Ltd (Formerly Five Star Diamonds Limited)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

17. Subsequent events

On October 30, 2020, the Company announced the settlement of debts owing to certain parties. It had entered into agreements to settle an aggregate of \$700,976 owing to certain officers and directors of the Company and service providers to the Company through the issuance of an aggregate of approximately 7,009,764 Common Shares of the Company at an implied issue price of C\$0.10 per Common Share.

At the annual and special meeting of shareholders of the Company held on October 6, 2020, the Company sought and obtained disinterested shareholder approval for the settlement of \$395,101.71 owing to current and former directors and officers of the Company.