



**Consolidated Financial Statements of  
Magna Terra Minerals Inc.**

**For the years ended  
August 31, 2019 and August 31, 2018**  
(Expressed in Canadian Dollars)

## Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Magna Terra Minerals Inc. (the "Company" or "Magna Terra") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statements of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders. The financial statements have been audited by MNP LLP. Their report outlines the scope of their examination and opinion on the financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 27<sup>th</sup> day of December, 2019.

MAGNA TERRA MINERALS INC.

Per: (signed) "Lew Lawrick"  
Name: Lew Lawrick  
Title: President & Chief Executive Officer

Per: (signed) "Errol Farr"  
Name: Errol Farr  
Title: Chief Financial Officer

## Independent Auditor's Report

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To the Shareholders of Magna Terra Minerals Inc.:

### Opinion

We have audited the consolidated financial statements of Magna Terra Minerals Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and August 31, 2018, and the consolidated statements of loss and comprehensive loss, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2019 and August 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$195,841 during the year ended August 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by \$953,302. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate 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 Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If based on the work we have performed on this other information, 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 Consolidated Financial Statements

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

In preparing the consolidated 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.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Brock Stroud.

Toronto, Ontario  
December 27, 2019

*MNP* LLP

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Magna Terra Minerals Inc.**  
**Consolidated Statements of Financial Position**  
(In Canadian dollars)

As at	August 31 2019 \$	August 31 2018 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	932	1,000
Other receivables	5,100	15,045
Short-term investments (note 5)	35,000	-
Prepaid expenses	-	3,000
	<b>41,032</b>	<b>19,045</b>
<b>Non-current</b>		
Foreign VAT receivable	42,492	36,116
Exploration and evaluation assets (note 6)	3,767,790	2,696,209
	<b>3,851,314</b>	<b>2,751,370</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (note 11)	724,234	313,005
Due to related parties (note 8)	270,100	60,500
	<b>994,334</b>	<b>373,505</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital, warrants, share based compensation (note 7)	6,914,558	6,239,602
Deficit	(4,057,578)	(3,861,737)
	<b>2,856,980</b>	<b>2,377,865</b>
	<b>3,851,314</b>	<b>2,751,370</b>

*The accompanying notes are an integral part of these consolidated financial statements.  
Nature of operations and going concern (notes 1 and 2)*

Approved on behalf of the board:

(signed) "Lew Lawrick"  
\_\_\_\_\_  
Director

(signed) "Dennis Logan"  
\_\_\_\_\_  
Director

# Magna Terra Minerals Inc.

## Consolidated Statements of Loss and Comprehensive Loss

(In Canadian dollars)

	For the years ended	
	August 31	August 31
	2019	2018
	\$	\$
<b>Expenses</b>		
Professional fees	161,749	130,158
General and administrative (note 12)	224,519	218,342
Management fees (note 8)	24,000	285,753
Share based compensation	59,066	19,680
Loss on sale of subsidiary (note 4)	-	12,035
Foreign exchange gain	(13,815)	(16,238)
Other income (note 6)	(49,648)	-
Gain on settlement of loan from related party and accounts payable	(225,030)	-
Loss (gain) on short term investments (note 5)	15,000	(6,889)
Comprehensive loss for the year	(195,841)	(642,841)
<b>Loss per share basic and diluted</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>	<b>78,209,195</b>	<b>70,415,618</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Magna Terra Minerals Inc.

## Consolidated Statements of Cash Flows

(In Canadian dollars)

	For the years ended	
	August 31	August 31
	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(195,841)	(642,841)
Adjustment for non-cash items:		
Other income	(49,648)	-
Gain on settlement of loan from related party and accounts payable	(225,030)	-
Gain (loss) on short-term investments	15,000	(6,889)
Share based compensation (note 7)	59,066	19,680
Loss on sale of subsidiary (note 4)	-	12,035
Net change in non-cash working capital balances related to operating activities:		
Other receivables	9,945	32,789
Prepaid expenses	3,000	(3,000)
Due to related party	-	60,500
Trade and other payables	338,476	54,998
<b>Net cash used in operating activities</b>	<b>(45,032)</b>	<b>(472,728)</b>
<b>Investing activities</b>		
Proceeds from sale of subsidiary net of cash sold (note 4)	-	24,164
Foreign VAT taxes receivable	(6,376)	395
Proceeds from sale of short-term investment (note 5)	-	1,221,439
Additions to mineral properties	(642,522)	(912,317)
<b>Net cash provided from (used in) investing activities</b>	<b>(648,898)</b>	<b>333,681</b>
<b>Financing activities</b>		
Loan from related party	303,001	-
Issuance of common shares, net of issuance costs	390,861	-
<b>Net cash provided from (used in) investing activities</b>	<b>693,862</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>	<b>(68)</b>	<b>(139,047)</b>
Cash, beginning of the year	1,000	140,047
<b>Cash, end of the year</b>	<b>932</b>	<b>1,000</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Magna Terra Minerals Inc.

## Consolidated Statements of Changes in Shareholders' Equity

(In Canadian dollars)

	Share capital		Warrants	Share based compensation	Sub-total	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
<b>Balance, August 31, 2017</b>	<b>70,203,393</b>	<b>5,858,182</b>	-	<b>347,990</b>	<b>6,206,172</b>	<b>(3,223,332)</b>	<b>2,982,840</b>
Common shares issued for exploration evaluation and assets (note 7)	250,000	13,750	-	-	13,750	-	13,750
Share based compensation	-	-	-	19,680	19,680	-	19,680
Sale of subsidiary	-	-	-	-	-	4,436	4,436
Net loss for the year	-	-	-	-	-	(642,841)	(642,841)
<b>Balance, August 31, 2018</b>	<b>70,453,393</b>	<b>5,871,932</b>	-	<b>367,670</b>	<b>6,239,602</b>	<b>(3,861,737)</b>	<b>2,377,867</b>
Issuance of common shares (note 7)	8,000,000	300,000	100,000	-	400,000	-	400,000
Issuance of common shares for the settlement of debt	9,001,179	225,029	-	-	225,029	-	225,029
Share issue expenses	-	(10,259)	1,120	-	(9,139)	-	(9,139)
Share based compensation	-	-	-	59,066	59,066	-	59,066
Net loss for the year	-	-	-	-	-	(195,841)	(195,841)
<b>Balance, August 31, 2019</b>	<b>87,454,572</b>	<b>6,386,702</b>	<b>101,120</b>	<b>426,736</b>	<b>6,914,558</b>	<b>(4,057,578)</b>	<b>2,856,980</b>

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

# **Magna Terra Minerals Inc.**

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

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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### **1. Nature of operations**

Magna Terra Minerals Inc. ("Magna Terra" or the "Company") is incorporated under the *Canada Business Corporations Act* and is involved in the acquisition and exploration of mining properties in Argentina and Canada (see note 6). Substantially all of the Company's efforts are devoted to financing and developing these properties.

Its stock is listed on the TSX Venture Exchange under the symbol MTT. The address of the Company and its registered office is located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

### **2. Going concern**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

For the year ended August 31, 2019, the Company had a net loss of \$195,841 (for the year ended August 31, 2018 incurred net loss of \$642,841), had a cash deficiency from operations of \$21,880 (for the year ended August 31, 2018 -\$472,728), and as at August 31, 2019, had an accumulated deficit of \$4,057,578 (August 31, 2018 - \$3,861,737) and a working capital deficit of \$953,302 (August 31, 2018 – a deficit of \$354,460).

To date there has been no determination whether the Company's interests in mineral exploration properties contain mineral reserves, which are economically recoverable. The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations; and the ability of the Company to raise alternative financing; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

### **3. Significant accounting policies**

#### **Statement of compliance**

These audited financial statements have been prepared in accordance with accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS issued and outstanding as of December 27, 2019, the date the Board of Directors approved the financial statements.

#### **Basis of presentation**

These financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

## Magna Terra Minerals Inc.

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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#### Functional and presentation currency

The audited financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### Significant estimates and judgments

The preparation of these audited financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment assessments of exploration and evaluation assets ("E&E assets"), the short-term investments and the valuation of share based payments. The most significant judgments relate to the use of the going concern assumption in the preparation of the financial statements and the determination of the economic viability of exploration and evaluation assets.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Consolidation

During the year ended August 31, 2017 the Company acquired all of the issued and outstanding shares of Atala Resources Corporation ("Atala"). Therefore, these consolidated financial statements include the accounts of the Company, which includes its wholly-owned subsidiary Atala and Atala's wholly owned subsidiary Atala Argentina S.A. Subsidiaries are those entities over which Atala has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns, generally accompanying a shareholding that confers more than half of the voting rights. The consolidated financial statements include the operating results of acquired subsidiaries from the date the Company obtains control.

Magna Terra's principal wholly-owned subsidiaries, and the main countries in which they operate, are as follows:

Name	Principal Place of Business	% Ownership		Functional Currency
		2019	2018	
Atala Resources Corporation	Canada	100	100	Canadian Dollar
Atala Resources Argentina S.A.	Argentina	100	100	Canadian Dollar

#### Exploration and evaluation assets ("E&E")

Costs related to the acquisition, and exploration of E&E assets are capitalized until a decision is made as to whether or not the assets contains sufficient economic reserves for mine development. Upon management concluding that an asset is economic for mine development than the asset will be transferred to mine under development. The Company's management reviews the carrying amounts of E&E assets for impairment on a regular basis, at least annually. Government assistance is applied as a reduction of deferred exploration expenditures.

## **Magna Terra Minerals Inc.**

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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The direct cost of E&E assets consist of:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Where the Company enters arrangements with a third party to provide a working interest in a mineral property held, in exchange for cash and/or share consideration and/or certain exploration expenditures on the property, the exploration incurred by the third party is not recognized as part of the Company's interest and any cash/share consideration received is offset against the carrying value of the property and property option revenue is recognized after the carrying value is eliminated.

#### **Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of loss. The recoverable amount of an asset is the higher of its fair value less costs to dispose and its value in use.

#### **Basic and diluted comprehensive loss per share**

Basic income or loss per share is calculated using the weighted average number of shares outstanding during the period. In order to determine diluted loss per share, any expected proceeds from the exercise of dilutive warrants and options are assumed to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The dilutive effect of these convertible securities is reflected in diluted loss per share assuming such conversion occurred at the beginning of the period. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

#### **Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a

## **Magna Terra Minerals Inc.**

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### **Share-based payment transactions**

Employees, including directors and senior executives, of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

#### **Equity-settled transactions**

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

#### **Share issuance costs**

Share issuance costs incurred on the issue of the Company's shares are charged directly to share capital.

#### **Financial instruments**

The Company adopted the provisions of IFRS 9 on September 1, 2018.

##### Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

##### *Financial assets at fair-value through profit or loss*

Financial instruments classified as fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of loss and comprehensive loss in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVTPL are included in gains or losses in the period in which they arise.

## Magna Terra Minerals Inc.

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

#### *Financial assets at fair-value through other comprehensive income*

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

#### *Financial assets at amortized cost*

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

#### Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables and due to related parties, which are classified at amortized cost.

The Company has completed a detailed assessment of its financial instruments as of February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	FVTPL	FVTPL
Short-term Investments	FVTPL	FVTPL
Trade and other payables	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remains unchanged as of February 1, 2018 as a result of the adoption of the new standard.

#### Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

#### Fair value hierarchy

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

## **Magna Terra Minerals Inc.**

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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Cash and short-term investments are measured at level 1 inputs of the fair value hierarchy.

#### **Related party transactions**

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be Individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

#### **Recent accounting pronouncements "IFRS 9 Financial Instruments ("IFRS 9")**

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. There will be no material impact on the financial statements as a result of this adoption.

#### **4. Sale of subsidiary**

On January 3, 2018, Atala Argentina closed the sale of the shares of AuEx Argentina S.A. ("AuEx") to a third party for cash of \$24,303 and the forgiveness of debt. AuEx's assets included primarily VAT recoverable and also had income tax losses. This resulted in the recording of a loss of \$12,035 during the year ended August 31, 2018.

#### **5. Short term investments**

On April 12, 2019, the Company entered into an Option Agreement (the "Opus Agreement") (see note 6 - Noyel), whereby the Company received 1,000,000 common shares of Opus One Resources Inc. ("Opus") at a fair value of \$0.05 per share. As at August 31, 2019, the Company held the 1,000,000 common shares with a market value of \$0.035 per share for a total of \$35,000.

During the year ended August 31, 2017, the Company held 15,000,000 common shares of Northern Superior Resources Inc. ("Northern"). The Company sold 5,000,000 common shares of Northern for gross proceeds of \$313,252 and purchased 5,000,000 units of Northern at a cost of \$250,000. Each unit consists of one common share and one common share purchase warrant (the "Warrant"). The Warrant entitles the Company to acquire Northern common shares at a price of \$0.075 until March 6, 2019. During the year ended August 31, 2018, the Company sold 15,000,000 Northern shares for proceeds of \$595,472. As at August 31, 2019, the Company held \$Nil Northern shares and 5,000,000 Warrants with a market value of \$Nil. On January 3, 2019, Northern completed a roll back of its common shares resulting in the Company holding 500,000 Warrants exercisable at a price of \$0.75 until March 6, 2019, which expired unexercised.

## Magna Terra Minerals Inc.

### Notes to the Consolidated Financial Statements

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#### 6. Exploration and evaluation assets

The Company holds interests in the following exploration properties.

	Santa Cruz projects	Quebec projects	Total
<b>Balance, August 31, 2017</b>	<b>1,631,845</b>	<b>54,919</b>	<b>1,686,764</b>
Acquisition costs	82,301	-	82,301
Expenditures	942,121	-	942,121
Government grants	-	(18,977)	(18,977)
<b>Balance, August 31, 2018</b>	<b>2,660,267</b>	<b>35,942</b>	<b>2,696,209</b>
Expenditures	1,071,933	-	1,071,933
Disposals	-	(352)	(352)
<b>Balance, August 31, 2019</b>	<b>3,732,200</b>	<b>35,590</b>	<b>3,767,790</b>

#### Santa Cruz Projects

The Santa Cruz projects consist of an exploration property portfolio that spans approximately 103,000 hectares in 8 independent areas in the highly prospective Province of Santa Cruz, Argentina.

The Company owns the mining rights to the Boleadora group as well as El Monte, Gertrudis, Katrina Piedra Negra, El Meridano, Covadonga, and La Rosita projects which were acquired from Renaissance Gold Inc. ("RenGold") by Atala in 2014. In the original acquisition agreement (the "Agreement"), for a period of 10 years from 2014, the Company was obligated to pay to RenGold an amount of \$30,000 should it complete an equity financing of minimum proceeds \$1 million and an additional amount of \$50,000 should it complete an additional financing for additional minimum proceeds of \$1 million. On October 26, 2017, the Company closed an amending agreement (the "Amending Agreement") which modifies the Agreement. The Amending Agreement terminates certain rights RenGold retained for future cash payments above, in return for providing RenGold with:

- (i) 250,000 common shares of the Company (issued); and
- (ii) \$25,000 cash (paid).

RenGold is also entitled to a 4% NSR royalty on certain properties, less any royalties payable to the Province of Santa Cruz and any underlying vendor. The royalty can be purchased back in an amount in excess of 1% at a price of US\$1 million per 1%. In no case will the RenGold NSR be less than 1%.

The Piedra Negra, El Meridano, Covadonga, and La Rosita projects are subject to an underlying option agreement with a private Argentine vendor pursuant to which Atala shall make options payments to the vendor commencing on January 1<sup>st</sup> of every year for the next 5 years (US\$35,000 in 2019 and 2020, US\$50,000 in 2021, US\$125,000 in 2022 and US\$300,000 in 2023, for a total of US\$545,000. The Vendor is also entitled to receive a 2% NSR royalty. The royalty can be purchased back for US\$800,000. The 2019 payment of US\$35,000 was subject to the Debt Settlement described in note 7.

#### Quebec Projects

##### Verneuil

The Company currently holds a 37.52% interest (SOQUEM Inc. 62.48%) in 32 claims located approximately 15 km to the east of the Lebel-sur-Quevillon, district of Abitibi. During the 2018 exploration season the Company did not participate in exploration program expenditures funded by SOQUEM, resulting in the dilution of the Company's the original 50% interest. A 2% net smelter return royalty on future production is attached to the property.

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#### Noyell

The Company holds a 100% interest in 49 claims located approximately 25 km south of Matagami, along the Douay-Cameron Corridor adjacent to the Vezza deposit, district of Abitibi. On April 12, 2019, the Company announced it entered into an option agreement regarding its Noyell Property, with Opus paying a total amount of \$500,000 in a combination of cash and/or common shares with the maximum number of common shares not to exceed 7 million. The payment terms are \$50,000 10 days after the effective date (received 1,000,000 common shares on May 23, 2019, see note 5), \$50,000 on the first, second and third anniversaries of the effective date, \$100,000 on the fourth anniversary and \$200,000 on the fifth anniversary of the effective date.

#### Matchi-Manitou

The Company holds a 29% interest in 24 claims located in Tavernier and Pershing townships, district of Abitibi. A 1% net smelter return royalty on future production is attached to the property. In accordance with this joint venture agreement on a 29/71% basis, each partner has to contribute its share, failing which; its interest would be diluted.

## 7. Shareholders' equity

#### Authorized share capital

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

On May 29, 2019, the Company settled \$450,059 of debt (the "Debt Settlement") through the issuance of common shares of the Company. Pursuant to the Debt Settlement, the Company issued 9,001,179 common shares to certain creditors of the Company, including certain of its directors and officers.

On December 28, 2018 the Company completed a private placement of 8 million Units at a price of \$0.05 each, with each Unit consisting of one common share and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one common share at a price of \$0.10 until December 28, 2020. The Company paid a finder's fee of \$2,800 and 56,000 Broker Warrants, with a value of \$1,120. Each Broker Warrant entitling the holder to purchase one common share at a price of \$0.10 until December 28, 2020. The Company allocated total proceeds of \$400,000 to share capital \$300,000 and share purchase warrants of \$100,000

On October 26, 2017 the Company issued 250,000 common shares as described in note 6 above.

#### Warrants

The composition of the outstanding warrants as at August 31, 2019 consists of the following:

	Warrants #	Exercise price \$
<b>Balance, August 31, 2017 and August 31, 2018</b>	<b>15,720,928</b>	<b>0.08</b>
Issued	4,000,000	0.10
Issued for finder's fee	56,000	0.10
Expired	(15,720,928)	0.08
<b>Balance, August 31, 2019</b>	<b>4,056,000</b>	<b>0.10</b>
<b>Exercisable at August 31, 2019</b>	<b>4,056,000</b>	<b>0.10</b>

## Magna Terra Minerals Inc.

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(In Canadian dollars)

	<b>Expiry date</b>	<b>Number</b>	<b>Exercise Price</b> <b>\$</b>
Warrants	December 28, 2020	4,000,000	0.10
Broker Warrants	December 28, 2020	56,000	0.10
		<b>4,056,000</b>	<b>0.10</b>

On May 5, 2019 and June 19, 2019, 13,720,928 and 2,170,000 warrants respectively expired unexercised.

The warrants issued on December 28, 2018 were valued using the Black-Scholes method with a risk-free interest rate of 1.85%, expected volatility of 171%, dividend yield of nil and an expected life of 2 years.

#### Share based compensation

The Company adopted a fixed stock option plan (the "Plan") whereby the Board of Directors may grant to employees, officers, directors, management consultants and external consultants of the Company or of its subsidiary thereof, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board. The exercise price of each option may not be lower than the market price of the common shares at the time of the grant of the options. The options vest at the date of the grant unless additional restrictions on the vesting of the options are imposed by the Board of Directors except for the consultants working in investor relations, whose options are vested in quarterly installments over a twelve-month period from grant. The option period is a period of time fixed by the Board of Directors but cannot exceed 5 years.

	<b>Options</b> <b>#</b>	<b>Weighted average exercise price</b> <b>\$</b>
<b>Balance, August 31, 2017</b>	<b>5,300,000</b>	<b>0.07</b>
Issued	400,000	0.05
<b>Balance, August 31, 2018</b>	<b>5,700,000</b>	<b>0.07</b>
Issued	2,270,000	0.05
<b>Balance, August 31, 2019</b>	<b>7,970,000</b>	<b>0.06</b>
<b>Exercisable at August 31, 2019</b>	<b>6,760,000</b>	<b>0.07</b>

A summary of the outstanding stock options is presented below:

<b>Date of grant</b>	<b>Remaining life</b>	<b>Number of options</b> <b>#</b>	<b>Exercise price</b> <b>\$</b>
May 18, 2017	2.72 years	3,400,000	0.065
August 9, 2017	2.95 years	1,900,000	0.070
September 7, 2017	3.03 years	400,000	0.050
December 28, 2018	4.34 years	2,120,000	0.050
June 3, 2019	4.77 years	150,000	0.050
		<b>7,970,000</b>	

On June 3, 2019, the Company granted 150,000 stock options with an exercise price of \$0.05 and expiring on June 3, 2024. The fair value of the options of \$4,500 was valued using the Black-Scholes method with a risk-free interest rate of 1.88%, expected volatility of 226%, dividend yield of nil and an

## Magna Terra Minerals Inc.

### Notes to the Consolidated Financial Statements

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expected life of 5 years. The options vest in four equal amounts on a quarterly basis over the first year of the option. During the year ended August 31, 2019 the expense was \$2,275.

On December 28, 2018, the Company granted 2,120,000 stock options with an exercise price of \$0.05 and expiring on December 28, 2023. The fair value of the options of \$63,600 was valued. The options were valued using the Black-Scholes method with a risk-free interest rate of 1.89%, expected volatility of 219%, dividend yield of nil and an expected life of 5 years. The options vest in four equal amounts on a quarterly basis over the first year of the option. During the year ended August 31, 2019 the expense was \$56,791.

On September 7, 2017, the Company granted 400,000 stock options with an exercise price of \$0.050 and expiring on September 7, 2022. The options were valued using the Black-Scholes method with a risk-free interest rate of 1.61%, expected volatility of 213%, dividend yield of nil and an expected life of 5 years, resulting in share-based compensation of \$19,680. The options vest in four equal amounts on a quarterly basis over the first year of the option.

#### 8. Key management compensation and related party transactions

The Company defines its key management as the Board of Directors, Chief Executive Officer and Chief Financial Officer. For the year ended August 31, 2019, \$24,000 was paid or accrued as management compensation (for the year ended August 31, 2018 – \$278,000). Share based compensation awarded to key management for the year ended August 31, 2019 was \$40,183 (for the year ended August 31, 2019 - \$19,680).

	For the year ended August 31	
	2019	2018
	\$	\$
Management fees	24,000	246,000
Directors fees	-	32,500
Share-based compensation	40,183	19,680
	<b>64,183</b>	<b>298,180</b>

On April 27, 2018, the Company completed the sale of 10,000,000 common shares of Northern at \$0.04 per share for gross proceeds of \$400,000 to Thorsen Fordyce Merchant Capital Inc. ("Thorsen"), a company controlled by Lewis Lawrick, the President and CEO of the Company.

As at August 31, 2019, in due to related parties, the Company had a loan outstanding from Thorsen in the amount of \$208,010, which was non-interest bearing and due on demand (August 31, 2018 – \$60,500). Also included in due to related parties are outstanding management fees and directors' fees of \$34,350 and \$27,640 respectively.

On December 28, 2018 the Company closed a private placement of units, of the \$400,000 proceeds, \$315,000 was subscribed for by officers of the Company.

On May 29, 2019, the Company closed the settlement of debt with the issuance of common shares, \$93,400 of the loan from Thorsen was settled with the issuance of 1,868,000 common shares.

## **Magna Terra Minerals Inc.**

### Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

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#### **9. Financial instrument risk management**

##### **a) Fair value of financial instruments**

The carrying value of cash, trade and other payables and due to related party approximates fair value due to the short-term nature of these financial instruments.

As of August 31, 2019, except for cash and short-term investments, none of the Company's financial instruments are recorded at fair value in the statements of financial position. Cash and short-term investments are classified as level 1 fair value.

##### **b) Risk management**

###### **Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash has been placed with major Canadian financial institutions.

###### **Liquidity risk**

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash and short-term investments. As at August 31, 2019, the Company has \$932 in cash and current liabilities of \$994,334. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on equity financing to meet its capital requirements.

###### **Market risk**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its short-term investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector.

Based on the financial instruments held at August 31, 2019 and 2018 had the short-term investments weakened or strengthened by 10% with all other variables held constant, the Company's post-tax loss for the period would have been \$4,249, and \$3,611, respectively, higher/lower as a result of market conditions.

###### **Currency risk**

The Company operates in Canada and Argentina, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

## Magna Terra Minerals Inc.

### Notes to the Consolidated Financial Statements

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(In Canadian dollars)

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities are as follows in Canadian dollars:

As at	August 31, 2019		August 31, 2018	
	ARS in CAD	USD in CAD	ARS in CAD	USD in CAD
	\$	\$	\$	\$
Cash	733	3	624	184
Other receivables	-	-	2,692	-
Foreign VAT receivable	42,492	-	36,116	-
Trade and other payable	(94,228)	(498,096)	(105,785)	(109,765)
Net monetary position in foreign currency	(51,003)	(51,003)	(66,353)	(109,581)

Based on the financial instruments held at August 31, 2019 and 2018 had the Canadian dollar weakened or strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the period would have been \$54,910 and \$17,593, respectively, higher/lower as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments as detailed above.

#### 10. Capital risk management

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan and to meet its ongoing administrative costs. As at August 31, 2019, the Company's capital consists of equity, which is comprised of share capital, share based compensation, and deficit, in the amount of \$2,856,980 (August 31, 2018 - \$2,377,865).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

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 to sustain future development of the business. The Company does not have any externally imposed capital requirements or covenants.

#### 11. Trade and other payables

As at	August 31 2019	August 31 2018
	\$	\$
Trade payables	479,931	265,762
Accruals	244,303	47,243
	724,234	313,005

The standard maturity terms of the Company's trade and other payables are 30 – 60 days.

## Magna Terra Minerals Inc.

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#### 12. General and administrative

	For the year ended August 31	
	2019	2018
	\$	\$
Consulting fees	33,000	66,000
Geologic consulting	47,555	26,694
Shareholder services	23,158	13,983
Insurance	9,425	13,266
Listing fees	10,883	9,449
Financing fees	26,479	-
Office	21,648	19,767
Rent	24,300	28,576
Conferences and promotion	28,071	40,607
	<b>224,519</b>	<b>218,342</b>

#### 13. Income Taxes

##### Income tax expense

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.7% to the effective tax rate is as follows:

	2019	2018
	\$	\$
Net income (loss) before recovery of income taxes	(195,841)	(642,841)
Expected income tax (recovery) expense	(51,900)	(171,640)
Difference in foreign tax rates	(4,560)	(4,410)
Share based compensation and non-deductible expenses	22,340	40,500
Change in tax benefits not recognized	34,120	135,550
Income tax (recovery) expense	-	-

##### Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
	\$	\$
Property, plant and equipment	12,690	14,670
Share issuance cost	21,810	19,280
Non-capital loss carried forward - Canada	604,510	588,630
Investment tax credits	20,980	20,984

The net capital loss carry-forward may be carried forward indefinitely but can only be used to reduce capital gains.

Share issue and financing costs will be fully amortized in 2023.

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The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	2019
	\$
2031	40
2032	108,530
2033	2,610
2034	6,570
2035	31,200
2036	42,660
2037	48,590
2038	142,410
2039	221,920
	<b>604,510</b>

#### 14. Segment information

The Company operates in a single reportable operating segment, being the acquisition, exploration and retention of mineral property assets. Geographic segment information of the Company's non-current assets as at August 31, 2019 and August 31, 2018 are as follows:

	August 31 2019	August 31 2018
	\$	\$
Canada	35,591	35,942
Argentina	3,774,691	2,696,383
	<b>3,810,282</b>	<b>2,732,325</b>

#### 15. Subsequent events

On October 15, 2019, the Company and Anaconda Mining Inc. ("Anaconda") (together the "Parties") announced that entered into a definitive Share Purchase Agreement (the "SPA") dated October 14, 2019, whereby Magna Terra proposes to acquire all of the issued and outstanding common shares of Anaconda's wholly-owned subsidiary, 2647102 Ontario Inc. ("ExploreCo")(the "Acquisition"). ExploreCo owns a 100% interest in the Great Northern and Viking Projects in Newfoundland and Labrador and the Cape Spencer Project in New Brunswick.

Under the SPA, the Company will acquire ExploreCo by issuing to Anaconda an aggregate number of common shares of the Company equal to 100% of the outstanding Magna Terra common shares on the closing date of the Acquisition, following the completion of a 7 for 1 share consolidation, on an undiluted basis and before Magna Terra financing of \$1.5 million or more.

On December 6, 2019 the agreement was modified to extend the closing date to be no later than February 28, 2020.

**Magna Terra Minerals Inc.**

Notes to the Consolidated Financial Statements

For the years ended August 31, 2019 and August 31, 2018

(In Canadian dollars)

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On October 29, 2019, the Company signed a credit agreement with Thorsen for a loan up to \$700,000 which bears interest at 12% per annum payable at maturity on December 31, 2020.