



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

**For the three and nine months ended  
May 31, 2021 and May 31, 2020**  
(Expressed in Canadian Dollars)

## **RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements for Magna Terra Minerals Inc. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards consistently applied ("IFRS"). These financial statements have been prepared on a historical cost basis with the exception of financial instruments classified as fair value through profit and loss. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

## **NOTICE OF NO AUDITOR REVIEW OF REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Magna Terra Minerals Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited – expressed in Canadian dollars)

As at	May 31, 2021 \$	August 31, 2020 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	404,476	3,625,681
Other receivables	335,055	63,500
Short-term investments (note 3)	111,000	186,375
Prepaid expenses	40,185	20,160
<b>Total current assets</b>	<b>888,716</b>	<b>3,895,716</b>
<b>Non-current</b>		
Exploration and evaluation assets (note 4)	8,816,408	6,682,712
<b>Total assets</b>	<b>9,705,124</b>	<b>10,578,428</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (note 5)	209,275	954,756
Flow-through premium (note 6)	281,152	866,140
Due to related parties (note 8)	157,673	27,641
<b>Total current liabilities</b>	<b>648,100</b>	<b>1,848,537</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital, warrants, share based compensation (note 6)	13,248,321	12,828,188
Deficit	(4,191,297)	(4,098,297)
<b>Total shareholders' equity</b>	<b>9,057,024</b>	<b>8,729,891</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,705,124</b>	<b>10,578,428</b>

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

Nature of operations and going concern (notes 1 and 2)

Commitments and contingencies (note 12)

Approved by the Board of Directors on July 30, 2021

"Lew Lawrick"

Director

"Patricia Kajda"

Director

# Magna Terra Minerals Inc.

## Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited – expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	May 31 2021	May 31 2020	May 31 2021	May 31 2020
	\$	\$	\$	\$
<b>Expenses</b>				
Management fees	58,255	-	200,308	-
General and administrative (note 7)	72,568	14,868	152,941	59,398
Professional fees	23,879	24,425	68,572	74,738
Deferred premium on flow-through shares (note 6)	(231,421)	-	(584,988)	-
Share based compensation (note 6)	125,216	-	362,228	16,221
Other income	(81,864)	(50,000)	(85,596)	(50,000)
Foreign exchange loss (gain)	5,109	(13,882)	(48,461)	(20,344)
Loss (gain) on short term investments (note 3)	36,625	7,100	125,375	(7,805)
Write-down of exploration and evaluation assets (note 4)	-	-	3,741	-
<b>Net (loss) income and comprehensive (loss) income for the period</b>	<b>(8,367)</b>	<b>17,489</b>	<b>(194,120)</b>	<b>(72,208)</b>
<b>Net (loss) income per share - basic and diluted</b>	<b>(0.00)</b>	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>	<b>46,737,475</b>	<b>12,493,482</b>	<b>46,432,059</b>	<b>12,493,482</b>

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

# Magna Terra Minerals Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	May 31	May 31	May 31	May 31
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Operating activities</b>				
Net (loss) income for the period	(8,367)	17,489	(194,120)	(72,208)
Adjustment for non-cash items:				
Other income	(50,000)	(38,100)	(50,000)	(38,100)
Deferred premium on flow-through shares (note 6)	(231,421)	-	(584,988)	-
Loss (gain) on short-term investments (note 3)	36,625	7,100	125,375	(7,805)
Share based compensation (note 6)	125,216	-	362,228	16,221
Write-down of exploration and evaluation assets (note 4)	-	-	(3,741)	-
Net change in non-cash working capital balances related to operating activities:				
Other receivables	(105,393)	10,912	(269,555)	(5,438)
Prepaid expenses	(3,902)	(18,330)	(20,025)	(211,581)
Trade and other payables	(111,996)	84,594	(663,456)	377,515
Due from related parties	77,062	-	130,032	-
<b>Net cash used in operating activities</b>	<b>(272,176)</b>	<b>63,665</b>	<b>(1,168,250)</b>	<b>58,604</b>
<b>Investing activities</b>				
Additions to exploration and evaluation assets	(634,343)	(64,754)	(2,052,955)	(158,246)
Proceeds from sale of short-term investments	-	-	-	4,905
<b>Net cash used in investing activities</b>	<b>(634,343)</b>	<b>(64,754)</b>	<b>(2,052,955)</b>	<b>(153,341)</b>
<b>Financing activities</b>				
Loan from related party	-	1,700	-	95,200
<b>Net cash provided from investing activities</b>	<b>-</b>	<b>1,700</b>	<b>-</b>	<b>95,200</b>
<b>Net (decrease) increase in cash</b>	<b>(906,519)</b>	<b>611</b>	<b>(3,221,205)</b>	<b>463</b>
<b>Cash beginning of the period</b>	<b>1,310,995</b>	<b>784</b>	<b>3,625,681</b>	<b>932</b>
<b>Cash, end of the period</b>	<b>404,476</b>	<b>1,395</b>	<b>404,476</b>	<b>1,395</b>
Supplemental cash flow information:				
Shares issued for exploration and evaluation assets	34,500	-	77,000	-

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

# Magna Terra Minerals Inc.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – expressed in Canadian dollars, except share information)

	Share capital		Warrants	Share based compensation	Sub-total	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
<b>Balance, August 31, 2019</b>	<b>12,493,482</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>
Share based compensation	-	-	-	16,221	16,221	-	16,221
Net loss for the period	-	-	-	-	-	(72,208)	(72,208)
<b>Balance, May 31, 2020</b>	<b>12,493,482</b>	<b>6,386,702</b>	<b>101,120</b>	<b>442,957</b>	<b>6,930,779</b>	<b>(4,129,786)</b>	<b>2,800,993</b>
<b>Balance, August 31, 2020</b>	<b>46,066,964</b>	<b>11,358,306</b>	<b>1,034,122</b>	<b>435,760</b>	<b>12,828,188</b>	<b>(4,098,297)</b>	<b>8,729,891</b>
Common shares issued for exploration and evaluation assets	289,734	77,000	-	-	77,000	-	77,000
Common shares issued for the settlement of debt	410,025	82,025	-	-	82,025	-	82,025
Share based compensation	-	-	-	362,228	362,228	-	362,228
Expiry of warrants transferred to deficit	-	-	(101,120)	-	(101,120)	101,120	-
Net loss for the period	-	-	-	-	-	(194,120)	(194,120)
<b>Balance, May 31, 2021</b>	<b>46,766,823</b>	<b>11,517,331</b>	<b>933,002</b>	<b>797,988</b>	<b>13,248,321</b>	<b>(4,191,297)</b>	<b>9,057,024</b>

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

## **Magna Terra Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

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### **1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

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 Canada and Argentina. Substantially all of the Company’s efforts are devoted to financing and developing these properties.

The Company’s common shares are listed on the TSX Venture Exchange under the symbol “MTT”. The address of the Company and its registered office is located at 20 Adelaide Street East, Suite 915, Toronto, Ontario, M5C 2T6.

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended August 31, 2020.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value. Certain prior year amounts have been reclassified to conform to account presentation adopted in the current year.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on July 30, 2021.

These condensed interim consolidated financial statements comprise the financial statements of Magna Terra Minerals Inc. and its wholly-owned subsidiaries 2647102 Ontario Inc. (Canada), Atala Resources Corporation (Canada), and Atala Resources Argentina S.A. (“Atala”) (Argentina). All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended August 31, 2020.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 4 of the Company’s audited consolidated financial statements as at and for the year ended August 31, 2020.

### **COVID-19 Pandemic**

The 2019 novel coronavirus (“COVID-19”) was characterized as a global pandemic by the World Health Organization on March 11, 2020. Strict health and safety protocols, including social distancing, remain in place and are continually reviewed based on recommendations from medical authorities. Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company’s condensed interim consolidated financial statements, including with respect to financial risks, including liquidity and the carrying values of the Company’s exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company’s exploration and evaluation assets in relation to the COVID-19 pandemic and did not note any indicators as of May 31, 2021. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management’s judgments in the future.

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

## 2. GOING CONCERN

These condensed interim consolidated 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 condensed interim consolidated financial statements.

For the nine months ended May 31, 2021, the Company had a net loss of \$194,120 (nine months ended May 31, 2020 – \$72,208), had a cash deficiency from operations of \$1,168,250 (nine months ended May 31, 2020 – cash generated from operating activities of \$58,604), and as at May 31, 2021, had an accumulated deficit of \$4,191,297 (August 31, 2020 – \$4,098,297) and working capital of \$240,616 (August 31, 2020 – \$2,047,179).

To date there has been no determination whether the Company's interests in its exploration and evaluation assets 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. SHORT-TERM INVESTMENTS

On April 12, 2019, the Company entered into an Option Agreement (the "Opus Agreement") related to an E&E asset (see note 4 - Noyell), whereby the Company has received a total of 3,000,000 common shares of Opus One Resources Inc. ("Opus"). During the year ended August 31, 2020, the Company sold a total of 225,000 Opus shares. As at May 31, 2021, the Company held 2,775,000 common shares with a quoted market value of \$0.04 per share for a total of \$111,000 resulting in an unrealized loss of \$36,625 and \$125,375 for the three and nine months ended May 31, 2021, respectively (three and nine months ended May 31, 2020 – loss of \$7,100 and gain of \$7,805, respectively).

## 4. EXPLORATION AND EVALUATION ASSETS

The Company holds interests in the following exploration and evaluation assets.

	Atlantic Canada projects	Santa Cruz projects	Quebec projects	Total
<b>Balance, August 31, 2019</b>	-	<b>3,774,692</b>	<b>35,590</b>	<b>3,810,282</b>
Acquisition costs	2,362,025	-	-	2,362,025
Expenditures	118,734	391,671	-	510,405
<b>Balance, August 31, 2020</b>	<b>2,480,759</b>	<b>4,166,363</b>	<b>35,590</b>	<b>6,682,712</b>
Acquisition costs	167,914	-	-	167,914
Expenditures	1,854,009	115,513	-	1,969,522
Write-down of exploration and evaluation assets	-	-	(3,741)	(3,741)
<b>Balance, May 31, 2021</b>	<b>4,502,682</b>	<b>4,281,876</b>	<b>31,849</b>	<b>8,816,407</b>

## **Magna Terra Minerals Inc.**

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

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#### **Atlantic Canada**

On July 30, 2020, the Company and Anaconda Mining Inc. ("Anaconda") (together the "Parties") completed a definitive Share Purchase Agreement (the "SPA") dated October 14, 2019, whereby Magna Terra acquired 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.

As part of the acquisition agreement, the Company acquired the option to earn a 100% interest in the Cape Spencer Property. Under the agreement, the Company can earn a 100% interest in the property by paying a total of \$300,000 in cash (of which \$150,000 has been paid) and \$145,000 in milestone payments based on certain exploration activities (of which \$30,000 has been paid) in cash or equivalent value shares over a five-year period from the signing date. The Company must also complete \$400,000 in exploration expenditures within the first four years. A 2% Net Smelter Royalty ("NSR") is payable with one percent of the NSR is purchasable for \$1,000,000 and a right of first refusal on the remaining 1% NSR.

During August 2020, a license was acquired adjacent to the Jackson's Arm Property that is subject to a 3% NSR. The Company has a right to purchase half the NSR (1.5% portion) at a cost of \$1.5 million. A portion of another license is subject to a 0.5% NSR.

On August 15, 2020, the Company acquired the option to earn a 100% interest in the Marigold Property, by paying a total of \$95,000 in cash (of which \$5,000 has been paid) and issuing \$105,000 in cash or equivalent-value common shares over a 4-year period (of which \$10,000 has been paid through the issuance of 37,425 common shares). The agreement is subject to a 2% NSR with 1% purchasable by the Company for \$1,500,000 and right of first refusal on the remaining 1% NSR.

On August 15, 2020, the Company acquired the option to earn a 100% interest in the Armstrong Property, paying a total of \$45,000 (of which \$5,000 has been paid) and issuing \$45,000 in cash or equivalent value common shares over a 3-year period (of which \$5,000 has been paid through the issuance of 18,712 common shares). The Property is subject to a 2% Gross Metal Royalty ("GMR") with 1% purchasable for \$1,000,000 and right of first refusal on the remaining 1%.

On August 18, 2020, an additional 3 mineral licenses were acquired via an option agreement. Under terms of the option agreement, the Company can earn a 100% interest in the property by paying to the optionor a total of \$30,000 in cash over 2 years (of which \$5,000 has been paid) and issuing \$15,000 in cash or common shares of the Company (of which \$2,500 has been paid through the issuance of 7,471 common shares). The Property is subject to a 2% NSR payable to the optionor with 1% NSR purchasable by the Company for \$1,000,000 and right of first refusal on the remaining 1% NSR.

On August 21, 2020, the Company earned its 100% interest in the Jackson's Arm Property, consisting of two licenses previously held by Metals Creek Resources Corp. ("Metals Creek"). The Company completed the option agreement by making the final payment to Metals Creek of \$20,000 in cash and issuing 350,000 common shares of the Company.

On September 8, 2020, the Company completed amended and re-stated option agreements on the Viking and Kramer Properties with Spruce Ridge Resources Ltd ("Spruce Ridge"). The Company can earn a 100% interest in the Viking and Kramer Properties by paying a total of \$300,000 over 4 payments ending February 15, 2023. At the Company's option up to one half of the payments can be made via the issuance of common share units. The number of units are calculated using the 20-day volume weighted average price ("VWAP") of the Company's common shares immediately prior to the payment date. Each Unit will consist of one common share and one half common share purchase warrant. Each whole Warrant will be exercisable at a 50% premium to the common share VWAP, for a period of 2 years from the payment date. The Warrant exercise

## **Magna Terra Minerals Inc.**

### Notes to the Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

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price will not be less than the closing market price of the common shares on the day prior to the payment date. As of May 31, 2021, a total of \$125,000 has been paid – \$100,000 paid in cash and \$25,000 paid in Units (76,126 Units issued to date). Spruce Ridge is entitled to a 0.5% uncapped NSR on all minerals sales from the Viking Property, and a 2.0% NSR on all mineral sales from the Kramer Property, which is capped at \$2,500,000, after which the NSR will be reduced to 1.0%.

On November 7, 2020, the Company acquired the option to earn a 100% interest in the Hawkins Love Project by issuing 150,000 common shares (issued) and paying a total of \$400,000 in cash and/or up to half of the amount in equivalent-value common shares over a 4-year period at the Company's option (of which \$30,000 has been paid in cash). The number of shares will be determined by the 20-day volume weighted average price of the Company's common prior to the date of issuance. The Property is subject to a 2% NSR, with 1% NSR purchasable by the Company for \$1,000,000 and a right of first refusal on the remaining 1% NSR.

#### **Santa Cruz**

The Santa Cruz projects consist of an exploration property portfolio in Santa Cruz, Argentina.

The Company owns the mining rights to the Boleadora group as well as El Monte, Gertrudis, Katrina Piedra Negra, El Meridiano, 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 of \$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 Meridiano, Covadonga, and La Rosita projects are subject to an underlying option agreement with a private Argentine vendor pursuant to which Atala shall make a total of US\$300,000 in options payments over a 6 year period (US\$10,000 in 2022, US\$20,000 in 2023, US\$40,000 in 2024, US\$80,000 in 2025, and US\$150,000 in 2026). The Vendor is also entitled to receive a 2% NSR royalty. The royalty can be purchased back for US\$800,000.

On June 9, 2020, Atala completed an Agreement to sell the Company's wholly owned Boleadora Group of properties ("Boleadora") to Oroplata S.A. ("Oroplata") a subsidiary of Newmont Corporation ("Newmont"). Newmont (Oroplata) will pay the Company US\$1 million (approximately \$1,280,000) as follows: US\$25,000 on signing (paid) and six installments totalling US\$975,000 within six years from the date of the Agreement (of which US\$25,000 has been paid). In addition, Newmont (Oroplata) has granted a 2% NSR to the Company. The royalty can be reduced to 1% by payment of US\$2.5 million by Oroplata at any time, and the gross royalty payable is capped at US\$20 million.

#### **Quebec Verneuil**

The Company currently holds a 37.52% interest (SOQUEM Inc. 62.48%) in claims located east of the Lebel-sur-Quevillon district of Abitibi. A 2% net smelter return royalty on future production is attached to the property.

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

#### Noyell

The Company holds a 100% interest in 49 claims located approximately 25 kilometres 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 7,000,000. The payment terms are \$50,000 upon signing of the agreement (received 1,000,000 common shares), \$50,000 on the first (received 1,000,000 common shares and \$11,900), second (received 1,000,000 common shares), and third anniversaries of the effective date, \$100,000 on the fourth anniversary of the effective date, and \$200,000 on the fifth anniversary of the effective date. As the carrying value of the property is \$nil, option payments received are recorded as other income in the condensed interim consolidated of comprehensive income.

#### Matchi-Manitou

The Company held a 29% interest in 24 claims located in Tavernier and Pershing townships, district of Abitibi. During the nine months ended May 31, 2021, the Company terminated the agreement and recorded a write-down of \$3,741 on the property.

## 5. TRADE AND OTHER PAYABLES

As at	May 31, 2021 \$	August 31, 2020 \$
Trade payables	167,525	768,746
Accruals	41,750	186,010
	<b>209,275</b>	<b>954,756</b>

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

## 6. SHAREHOLDERS' EQUITY

### Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at May 31, 2021, the Company had 46,766,823 (August 31, 2020 – 46,066,964) common shares outstanding.

On January 25, 2021, the Company settled \$82,025 of debt (the "Debt Settlement") through the issuance of 410,125 common shares of the Company to certain creditors of the Company, including certain of its directors and officers.

On August 4, 2020, the Company in conjunction with its acquisition of the Atlantic Canada assets completed a private placement for gross proceeds of \$4.965 million as follows:

- (i) 620,000 flow-through common shares (the "FT Shares") at a price of \$0.25 per share for gross proceeds of \$155,000 (620,000 FT Shares);
- (ii) 11,110,000 common share units (the "Units") at a price of \$0.20 per Unit for gross proceeds of \$2.222 million. Each Unit is comprised of one common share and one-half of one share purchase warrant (each whole warrant being a "Warrant"), each Warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 24 months following the closing. Refer to note 8 for related party participation; and
- (iii) 9,000,000 charity flow-through units (the "Charity FT Units") at a price of \$0.29 per unit for gross proceeds of \$2.61 million. Each Charity FT Unit is comprised of one flow-through common share and

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

one-half of one common share purchase warrant (each whole warrant being a "Warrant"), each Warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 24 months following the closing.

The Company paid \$87,660 in finders fees and 436,800 Warrants in finders warrants in relation to the units sold.

A flow-through liability of \$866,140 was recorded upon closing, representing the difference between the market price of the Company's shares on August 4, 2020, the value of the Warrants issued, and the cash consideration received in exchange for the FT Shares and the Charity FT Units. As at May 31, 2021, the Company derecognized \$584,988 of the flow-through liability and recognized a corresponding income amount, representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 30, 2020, the Company completed a consolidation (the "Share Consolidation") of its share capital on the basis of seven (7) old common shares for one (1) new common share. As a result of the Share Consolidation, the 87,454,572 common shares issued and outstanding at that date were consolidated to 12,493,482 common shares.

#### Warrants

The composition of the outstanding warrants as at May 31, 2021 consists of the following:

	Warrants #	Exercise price \$
<b>Balance, August 31, 2019</b>	<b>579,429</b>	<b>0.70</b>
Issued	10,055,000	0.30
Issued for finder's fee	436,800	0.30
<b>Balance, August 31, 2020</b>	<b>11,071,229</b>	<b>0.32</b>
Issued	38,063	0.49
Expired	(579,429)	0.70
<b>Balance, May 31, 2021</b>	<b>10,529,863</b>	<b>0.30</b>

  

	Expiry date	Number #	Exercise price \$
Warrants	August 4, 2022	10,055,000	0.30
Finder's warrants	August 4, 2022	436,800	0.30
Warrants	September 8, 2022	38,063	0.49
		<b>10,529,863</b>	<b>0.30</b>

On September 8, 2020, the Company issued 38,063 warrants to Spruce Ridge (note 4), entitling the holder to purchase one common share of the Company at a price of \$0.49 per share until September 8, 2022.

During the nine months ended May 31, 2021, 579,429 warrants expired unexercised (year ended August 31, 2020 – nil). The corresponding grant date fair value of \$101,120 (year ended August 31, 2020 - \$nil) was reclassified from warrants to accumulated deficit.

The warrants issued on August 4, 2020 were valued using the Black-Scholes method with a risk-free interest rate of 0.26%, expected volatility of 141% which is based on the historical share prices of the Company, expected dividend yield of nil, share price of \$0.155 and an expected life of 2 years.

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

#### 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.

As at May 31, 2021, the Company had 3,683,571 stock options outstanding and 2,373,571 stock options exercisable. The following summary sets out the activity in the Plan for the nine months ended May 31, 2021 and the year ended August 31, 2020:

	Options #	Exercise price \$
<b>Balance, August 31, 2019 and 2020</b>	<b>1,138,571</b>	<b>0.43</b>
Granted	2,545,000	0.20
<b>Balance, May 31, 2021</b>	<b>3,683,571</b>	<b>0.27</b>
<b>Options exercisable, May 31, 2021</b>	<b>2,373,571</b>	<b>0.31</b>

During the six months ended May 31, 2021, 2,545,000 options (year ended August 31, 2020 – nil) were granted to officers, directors, contractors, and consultants to the Company at a weighted average exercise price of \$0.20. The stock options vest over a 9-month period in 4 equal instalments.

The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumptions below.

The following table sets out the details of the stock options granted and outstanding as at May 31, 2021. The weighted average exercise price for the outstanding stock options was \$0.27 as at May 31, 2021.

Date of grant	Remaining life	Number of options #	Exercise price \$
May 18, 2017	0.97 years	485,714	0.455
August 9, 2017	1.20 years	271,429	0.49
September 7, 2017	1.27 years	57,143	0.35
December 21, 2020	1.56 years	200,000	0.20
February 5, 2021	1.69 years	175,000	0.20
December 28, 2018	2.59 years	302,857	0.35
June 3, 2019	3.02 years	21,429	0.35
December 21, 2020	4.57 years	1,920,000	0.20
February 5, 2021	4.70 years	100,000	0.20
May 17, 2021	4.98 years	150,000	0.20
		<b>3,683,571</b>	<b>0.27</b>

The expected volatility is based on the historical volatility (based on the remaining life of the options) adjusted for any expected changes in future volatility due to publicly available information.

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

The following table sets out the details of the valuation of stock option grants for the nine months ended May 31, 2021:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
December 21, 2020	1,920,000	0.44%	Nil	209.9%	5 years
December 21, 2020	200,000	0.23%	Nil	141.3%	2 years
February 5, 2021	100,000	0.48%	Nil	210.4%	5 years
February 5, 2021	175,000	0.20%	Nil	138.4%	2 years

The fair value of the stock options granted for the three and nine months ended May 31, 2021 was \$26,325 and \$438,951, respectively (three and nine months ended August 31, 2020 - \$nil and \$nil, respectively). Share-based compensation expense recognized in relation to stock options during the three and nine months ended May 31, 2021 was \$125,216 and \$362,228 respectively (three and nine months ended May 31, 2020 - \$nil and \$16,221, respectively).

## 7. GENERAL AND ADMINISTRATIVE

### For the three months ended For the nine months ended

	May 31 2021 \$	May 31 2020 \$	May 31 2021 \$	May 31 2020 \$
Conferences and promotion	41,088	3,646	47,205	9,844
Office	6,012	2,365	29,736	7,694
Rent	10,250	6,075	29,100	18,225
Insurance	5,520	2,702	17,895	7,153
Shareholder services	8,805	80	16,992	10,697
Listing fees	893	-	11,761	5,785
Geologic consulting	-	-	252	-
	<b>72,568</b>	14,868	<b>152,941</b>	59,398

## 8. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. Compensation of key management personnel was as follows for the three and nine months ended May 31, 2021 and 2020:

### For the three months ended For the nine months ended

	May 31 2021 \$	May 31 2020 \$	May 31 2021 \$	May 31 2020 \$
Management fees	45,000	-	135,000	-
Share-based compensation	57,577	-	179,312	12,221
	<b>102,577</b>	-	<b>314,312</b>	12,221

As at May 31, 2021, included in due to related parties are outstanding management fees and directors' fees of \$nil (August 31, 2020 – \$27,641). The amounts are unsecured, non-interest bearing and no fixed terms of repayment.

## **Magna Terra Minerals Inc.**

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

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As at August 31, 2019, in due to related parties, the Company had a loan outstanding from Thorsen Fordyce Merchant Capitals Inc. ("Thorsen") in the amount of \$208,010). 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. On December 31, 2019, the Company and Thorsen extended the maturity of the credit agreement until December 31, 2021. During August 2020, the Company paid Thorsen \$306,210, the outstanding amount of the loan, plus accrued interest of \$29,595, retiring the credit facility. Thorsen is a company that is controlled by the Chief Executive Officer of the Company.

On August 4, 2020, the Company closed a private placement of units and of the \$4,987,000 proceeds, \$550,000 was subscribed for by Thorsen through the subscription of 2,750,000 Units.

#### **Anaconda Mining Inc.**

The Company and Anaconda have certain key management personnel in common. As described in note 4, the Company completed a transaction with Anaconda on July 30, 2020, whereby the Company acquired all of the issued and outstanding common shares of Anaconda's wholly-owned subsidiary, ExploreCo. The Company and Anaconda have entered into a service level agreement whereby the Anaconda provides certain services to the Company, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at May 31, 2021, included in due to related parties is \$157,673 (August 30, 2020 - \$nil) of amounts charged under the service level agreement.

## **9. FINANCIAL INSTRUMENTS**

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

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

As of May 31, 2021, except for short-term investments, none of the Company's financial instruments are recorded at fair value in the condensed interim consolidated statements of financial position. 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 May 31, 2021, the Company has \$404,476 in cash and current liabilities of \$648,100. 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

## Magna Terra Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended May 31, 2021 and May 31, 2020 (In Canadian dollars)

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investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector.

#### 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 following summarizes the Canadian dollar amount of assets and liabilities denominated in other currencies:

	ARG \$
Cash	28,300
Accounts receivable	3,041
Accounts payable	(23,376)
	<b>7,965</b>

Based on the foreign currency exposure noted above, a 1% change in the exchange rate against the Canadian dollar would result in an increase/decrease of \$80 in net income.

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

## 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 May 31, 2021, the Company's capital consists of equity, which is comprised of share capital, share based compensation, and deficit, in the amount of \$9,057,024 (August 31, 2020 - \$8,729,891).

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. SEGMENT INFORMATION

The Company operates in a single reportable operating segment, being the acquisition, exploration and retention of E&E assets. Geographic segment information of the Company's non-current assets, consisting of E&E assets as at May 31, 2021 and August 31, 2020 are as described in note 4.

## **Magna Terra Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2021 and May 31, 2020

(In Canadian dollars)

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### **12. COMMITMENTS AND CONTINGENCIES**

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental and social requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The business of mining and 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 Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Underlying royalties on the Company's exploration and evaluation assets are described in note 4.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

As a result of the Company's flow-through financings in August 2020, the Company is committed to incur qualifying resource expenditures. An amount equal to the gross proceeds from the flow-through common shares (\$2,765,000) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. As at May 31, 2021, the Company is committed to incur approximately \$897,527 in qualifying expenditures before December 31, 2021.

In connection with the flow-through financings, the Company indemnifies the subscribers against certain tax related amounts that may become payable by the subscribers should the Company not meet its flow-through expenditure commitments.