

MERIDA MINERALS HOLDINGS INC. (FORMERLY WINSTON CAPITAL GROUP INC.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

NOTICE TO SHAREHOLDERS

The accompanying condensed interim financial statements for the three and nine months ended September 30, 2022 and 2021 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim consolidated financial statements). 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.

Auditors Involvement

The external auditors of Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.) have not audited or performed a review of the unaudited interim financial statements for the three and nine months ended September 30, 2022 and 2021 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Unaudited Condensed Interim Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

	As at September 30, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	\$ 1,061,770	\$ 153,676
Restricted cash (note 8)	-	660,456
Accounts receivable	15,275	-
Prepaid expenses	39,018	5,504
TOTAL ASSETS	\$ 1,116,063	\$ 819,636
LIABILITIES AND DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 155,798	\$ 104,073
Subscriptions received in advance (note 8)	-	660,456
Due to related parties (note 6 and 7)	183,375	110,174
	339,173	874,703
Long term liabilities (note 7)	-	262,365
Loan payable (note 6)	54,325	48,578
Total liabilities	393,498	1,185,646
Shareholders Equity (Deficiency)		
Share capital (note 8)	4,361,843	2,235,221
Shares to be issued to settle debt (note 7)	622,480	-
Warrants (note 8)	26,697	-
Contributed surplus	51,200	51,200
Accumulated other comprehensive loss	(75,238)	(23,343)
Deficit	(4,264,417)	(2,629,088)
Total equity (deficiency)	722,565	(366,010)
TOTAL LIABILITIES AND DEFICIENCY	\$ 1,116,063	\$ 819,636

Going concern (note 1)

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

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Expenses				
General and corporate (note 7)	\$ 159,311	\$ 197,327	\$ 599,643	\$ 362,569
Exploration and evaluation property (note 5)	-	-	4,249	7,072
Net loss before other items	(159,311)	(197,327)	(603,892)	(369,642)
Impairment of exploration assets	-	-	-	(230,000)
Listing expense (note 4)	-	-	(1,031,437)	-
Net loss	(159,311)	(197,327)	(1,635,329)	(599,642)
Other comprehensive income/ (loss)				
Foreign currency translation gain/ (loss)	(42,226)	798	(51,895)	(15,647)
Comprehensive loss	\$(201,537)	\$ (196,529)	\$(1,687,224)	\$ (615,289)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	58,510,160	44,676,826	53,983,812	44,676,826

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

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Unaudited Condensed Interim Consolidated Statement of Changes in Deficiency
(Expressed in Canadian dollars)

	Share capital	Share capital	Warrants	Shares to be issued	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	#	\$	\$	\$	\$	\$	\$	\$
Balance December 31, 2020	44,676,826	2,235,221	-	-	51,200	(3,290)	(2,166,633)	116,498
Shareholder contribution							15,468	15,468
Other comprehensive loss	-	-	-	-	-	(15,647)	-	(15,647)
Net income and comprehensive income for	-	-	-	-	-	-	(599,642)	(599,642)
Balance September 30, 2021	44,676,826	2,235,221	-	-	51,200	(18,937)	(2,750,807)	(483,323)
Balance December 31, 2021	44,676,826	2,235,221	-	-	51,200	(23,343)	(2,629,088)	(366,010)
Shares issued under private placement	6,333,333	950,000	-	-	-	-	-	950,000
Share issue costs		(55,705)	26,697	-	-	-	-	(29,008)
Shares issued on reverse takeover	7,500,000	1,232,327	-	-	-	-	-	1,232,327
Shares to be issued on debt settlement	-	-	-	622,480	-	-	-	622,480
Other comprehensive loss	-	-	-	-	-	(51,895)	-	(51,895)
Net income and comprehensive income	-	-	-	-	-	-	(1,635,329)	(1,635,329)
Balance September 30, 2022	58,510,159	4,361,843	26,697	622,480	51,200	(75,238)	(4,264,417)	722,565

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

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
Cash flow from operating activities		
Net loss	\$ (1,635,328)	\$ (449,641)
Items not affecting cash:		
Interest accretion expense	5,747	2,269
Impairment of exploration project	-	230,000
Listing expense	1,031,437	-
Effect of foreign exchange	(51,895)	(15,647)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	96,724	28,914
Prepaid expenses	(35,866)	(5,661)
Due to related parties	388,316	127,540
Total cash flows used in operating activities	(200,865)	(82,226)
Cash flow from investing activities		
Cash acquired on reverse takeover	187,967	-
Total cash flows provided by investing activities	187,967	-
Cash flow from financing activities		
Issue of common shares, net of costs	260,536	-
Proceeds from loans	-	60,000
Proceeds for shares to be issued	-	72,000
Total cash flows provided by financing activities	260,536	132,000
Net change in cash	247,638	49,774
Cash, beginning balance	814,132	180,248
Cash, ending balance	\$ 1,061,770	\$ 230,022

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

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.) (the “Company” or “Merida”) was incorporated on October 22, 2018 as Winston Capital Group Inc. (“Winston”) pursuant to the provisions of the Business Corporations Act (Alberta). On March 31, 2022, the Company completed its qualifying transaction pursuant to the rules of the TSX Venture Exchange (the “**Qualifying Transaction**”), resulting in a reverse takeover of the Company by Merida Minerals Inc. (“**Merida Inc.**”). The Qualifying Transaction was completed pursuant to a Business Combination Agreement whereby the Company’s wholly owned subsidiary, 2797200 Ontario Inc. (“Subco”), amalgamated with Merida Inc. (the “Amalgamation”) to complete the qualifying transaction (the “Transaction”) of the Company in accordance with the policies of the exchange. and (ii) all of the outstanding common shares in the capital of Merida Inc. (the “**Merida Shares**”) were cancelled and, in consideration therefor, the holders thereof received common shares in the capital of the Company on a 1:1 basis.

Prior to the completion of the Qualifying Transaction, the Company completed a continuance under the laws of Ontario and changed its name to from Winston Capital Group Inc. to “Merida Minerals Holdings Inc”. Concurrent with the completion of the Qualifying Transaction, Merida Inc., changed its year end from June 30 to December 31.

The Company carries on business in the acquisition, exploration and development of mineral properties in Spain. The address of the Company’s registered and head office is 15 Toronto Street, Suite 602, Toronto, Ontario, M5C2E3.

Going concern assumption

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital or conclude a corporate transaction. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Management is aware, in making its assessment of material uncertainties related to events or conditions that cast significant doubt upon the entity’s ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material.

The recoverability of the costs incurred to date on exploration and evaluation project is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Basis of presentation

These condensed interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective for the Company’s reporting date.

These financial statements were approved by the Board of Directors of the Company on November 28, 2022.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Subsidiaries are entities controlled by the Company. Control over a subsidiary is defined to exist when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. Details of wholly owned subsidiary are as follows:

Entity	Country of incorporation	Percentage owned As of December 31, 2021
Merida Minerals Inc.	Canada	100%
La Joya Mineral S.L.U. (“La Joya”)	Spain	100%

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between the companies.

Functional and presentation currency

In concluding on the functional currency of the parent and its subsidiary, management considered the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy. The presentation and functional currency of the Company and Merida Inc. is Canadian dollars. The functional currency of La Joya is the Euro.

Critical judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- *Capitalization of exploration and evaluation costs*
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Critical judgments and estimation uncertainties (continued)

- *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- *Share-based compensation*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- *Going concern assumption*

The financial statement have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going-concern involves judgement. Estimates and assumption are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities.

- *Determination of functional currency*

The Company determines the functional currency through the analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

- *Impairment of exploration and evaluation assets*

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Critical judgments and estimation uncertainties (continued)

- *Impairment of exploration and evaluation assets (continued)*

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment.

All capitalized exploration and evaluation asset expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation asset expenditures are not expected to be recovered, it is charged to the results of operations. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not-deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the tax asset is not recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

Share-based payments

The Company has a stock option plan (the “Plan”). The Company uses the fair value-based method of accounting for share-based compensation. The fair value of each option granted to employees is measured using the Black-Scholes option pricing model at the date of grant and recognized over the vesting term with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

The share-based payments to the parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Foreign currency translation

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company’s accumulated other comprehensive income in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants

The warrants are fair valued on the issuance date using the Black-Scholes option pricing model. If and when the warrants are exercised, the applicable fair value of the share-based payment reserve is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

Financial Instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement – Financial assets at FVTOCI

Financial assets measured at FVTOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVTOCI. After initial measurement, investments measured at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company’s financial liabilities include accounts payable which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

The financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost to profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.)
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The Company's financial instruments consist of the following:

Financial assets:	Classification IFRS 9
Cash	FVTPL

Financial liabilities:	Classification IFRS 9
Accounts payable	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life. The Company had no leases in effect during the period presented.

As is permitted under IFRS 16, the Company elected to expense its short-term leases (term of 12 months or less) and leases of low-value assets, such as computer equipment, on a straight-line basis over the lease term.

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Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

4. QUALIFYING TRANSACTION

On March 31, 2022, the Company completed its Qualifying Transaction, pursuant to which it acquired all of the issued and outstanding Merida Shares (Note 1). While the Company was the legal acquirer, Merida Inc. was the accounting acquirer since shareholders of Merida Inc. held and controlled the majority of the issued and outstanding Common shares upon completion of the Qualifying Transaction. Accordingly, the consolidated financial statements are presented with Merida Inc. as the continuing entity.

The Qualifying Transaction was accounted for as an asset acquisition, as the assets acquired and liabilities assumed did not constitute a business, as defined in IFRS 3, Business Combinations. The total consideration was allocated to the fair value of the net assets acquired and liabilities assumed, as follows:

	Estimated fair value
Consideration Paid	\$
7,500,000 common shares at \$0.15 per share	1,125,000
750,000 stock options at an exercise price of \$0.10	107,327
	<hr/> 1,232,327
Allocation	\$
Cash	187,967
Accounts receivable	12,922
Net assets acquired	<hr/> 200,890

In connection with the Qualifying Transaction, the Company recognized a listing expense in the amount of \$1,031,437 in the nine months ended September 30, 2022, such amount being equal to the consideration paid less the net assets acquired under the Qualifying Transaction.

5. EXPLORATION AND EVALUATION PROJECT

On March 31, 2021, the Company entered into a purchase agreement (“the Asset Purchase Agreement”) to acquire 100% interest in the Herrerias Property.

The various terms of the acquisition are as follows: (a) receipt of notification from the Junta de Extremadura of the mining permit extension; (b) application for the authorization of 100% of the Project transfer will be submitted to the Junta de Extremadura after the Asset Purchase Agreement has been duly notarized; (c) cash consideration of €90,750 (inclusive of VAT) and two million three hundred thousand (2,300,000) Merida Common Shares (which have already been issued); and a one percent (1%) net smelter return royalty (“NSR Royalty”) in favour of the Vendor.

6. LOAN PAYABLE

In, 2021, the Company was advanced \$60,000 by OCI Inc., a shareholder. The loan is interest free and repayable on May 6, 2023. The loan was initially measured at its fair value of \$44,532 and subsequently accounted for using the amortized cost method discounted at an effective interest rate of 15%, with the discount portion recorded directly in equity. Accretion expense of \$5,747 (2021 - \$2,269) was recorded in the income statement for the nine months ended September 30, 2022 and included in general and corporate expense.

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7. RELATED PARTY TRANSACTIONS

a) Compensation of key management personnel

Key management includes members of the board of directors, Chief Executive Officer and the Chief Financial Officer and any companies associated with them. Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the three and nine months ended September 30, 2022 and 2021:

	2022	2021	2022	2021
Salary or other short-term benefits	\$ 74,297	\$ 45,482	\$ 251,707	\$ 165,262
Professional and legal fee	2,034	-	14,275	-
	\$ 76,331	\$ 45,482	\$ 265,982	\$ 165,262

b) Other related party balances and transactions

As of September 30, 2022, a balance of \$760,855 (December 31, 2021: \$ 372,539) was owing to the directors, officers, family members of directors and officer and companies controlled by directors and officers, and their family members. All amounts are non-interest bearing and unsecured. The Company and the related parties entered into debt settlement agreements to settle \$622,480 of amounts owing (of which \$577,480 are with related parties) in return for shares of the Company. As at September 30, 2022, the shares have not been issued for settlement.

In December 2021, the Company entered into debt cancellation agreements with related parties totalling \$84,133.

8. SHARE CAPITAL

a) Shares authorized

Unlimited number of preferred and common shares without nominal or par value

As of September 30, 2022, no preferred shares have been issued.

b) Common shares issued and outstanding

	Shares	Amount
Balance December 31, 2021	44,676,826	\$ 2,235,221
Shares issued under private placement (i)	6,333,334	650,000
Share issue costs	-	(29,008)
Broker warrants	-	(26,697)
Shares issued pursuant to Qualifying Transaction (note 4)	7,500,000	1,232,327
Balance September 30, 2022	58,510,159	\$ 4,361,843

- (i) In connection with the Qualifying Transaction, the Company completed a private placement for gross proceeds of \$950,000 through the issuance of 6,333,333 units at \$0.15 per unit ("Unit"). Each Unit consisted of one common share and one half of one (1/2) share purchase warrant ("Merida Unit Warrant"). Each whole Merida Unit Warrant is exercisable at a price of \$0.30 per Merida Common Share for a period of twenty-four (24) months from the closing of the Private Placement. The Company determined the fair value of warrants issued to be \$Nil. As at, December 31, 2021, \$660,456 of the proceeds had been received and held as restricted cash.

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8. SHARE CAPITAL (continued)

In connection with the Private Placement, the Company paid a cash commission and issued 326,920 broker warrants. Each Broker Warrant entitles the holder to one common share and is exercisable at a price of \$0.30 per Common Share for a period of 24 months from the date of issuance, subject to the requirements of the Exchange. The broker warrants were assigned a value of \$26,697 using the Black Scholes option pricing model with the following assumptions: exercise price of \$0.30, stock price of \$0.15, risk free interest rate 1.25%; expected volatility of 135%; expected dividend yield of 0% and an expected life of 2 years.

c) Stock options

On December 5, 2018, the Corporation adopted a Stock Option Plan (the "Plan") which it is authorized to grant options to purchase common shares of the Corporation to directors, senior officers, employees and/or consultants of the Corporation. The aggregate number of shares of the Corporation which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

The following are the details of all stock options granted under the Plan during the nine months ended September 30, 2022:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	4,500,000	-
Granted pursuant to the Qualifying transaction (note 4)	750,000	0.10
Cancelled	(1,350,000)	0.10
Balance, September 30, 2022	3,900,000	0.10

As at September 30, 2022, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price (\$'s)	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
400,000	0.10	January 31, 2024	400,000	1.59
600,000	0.10	March 31, 2024	600,000	1.75
800,000	0.10	April 30, 2024	800,000	2.00
1,350,000	0.10	June 30, 2024	1,350,000	2.00
750,000	0.10	February 28, 2029	750,000	6.67
3,900,000			3,900,000	1.44

The weighted average fair value per option issued during the period was \$nil (year ended December 31, 2021 - \$nil).

d) Warrants

As at September 30, 2022, the following warrants were outstanding:

Number of Options Outstanding	Exercise Price (\$'s)	Expiry Date
3,166,667 (note 8(b)(i))	0.30	January 31, 2024
326,920 (note 8(b)(i))	0.30	January 31, 2024
3,493,587		
1,589,925	0.25	Expired unexercised on July 20, 2022

9. FINANCIAL RISK FACTORS

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to these items is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at September 30, 2022 the Company had a cash balance of \$1,061,770 (December 31, 2021 - \$814,132) to settle current liabilities of \$339,173 (December 31, 2021 - \$874,703). The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future.

Market risk

(a) Interest rate risk

The Company has cash balances and no long-term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers this risk to be minimal.

(b) Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's subsidiary in Spain is exposed to foreign exchange risk related to variation in exchange rates between Canadian dollars and Euros. The Company has not entered into any foreign currency contracts or other instruments to mitigate this risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Fair value of financial assets and liabilities

The Company measures its cash, accounts payable and accrued liabilities, due to related parties and loan payable at amortized cost.

As at September 30, 2022, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.