

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

**MANAGEMENT DISCUSSION & ANALYSIS**

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

**DATED NOVEMBER 28, 2022**

**MERIDA MINERALS HOLDINGS INC.**  
**Management's Discussion & Analysis**  
**For the three and nine months ended September 30, 2022 and 2021**

**Introduction**

This Management's Discussion and Analysis ("MD&A") has been prepared by management of Merida Minerals Holdings Inc. (Formerly Winston Capital Group Inc.) (the "Company" or "Merida") and should be read in conjunction with the Company's condensed interim consolidated statements for the three and nine months ending September 30, 2022 and September 30, 2021 (the "Interim Financial Statements") and the audited consolidated financial statements and notes thereto for the years ending June 30, 2021 and 2020 (the "Annual Financial Statements" and together with the Interim Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are in Canadian dollars unless otherwise specified. The Financial Statements may be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of the MD&A, and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports prior to filing.

**Forward-Looking Statements**

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether

as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## **Corporate Overview**

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. 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 outstanding Common Shares upon completion of the Qualifying Transaction (the “RTO”). As a result of the RTO, the MD&A, consolidated financial statements and comparative information are presented with Merida Inc. as the continuing entity.

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.

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 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.

## **Business of Merida**

On March 19, 2019, Merida acquired all of the issued and outstanding shares of La Joya Minerals S.L.U., a corporation incorporated on November 29, 2006 in Seville, Spain (“La Joya”) by way of Share Purchase Agreement. On July 25, 2019, La Joya entered into a joint venture agreement with Auplata S.A. (“Auplata”), Amaiur Recursos Minerales, SL. (“Amaiur”) with respect to certain mining assets in Spain. The mining assets, known officially as the *Permiso de Investigación "Herrerías" #12.785*, which was demarcated in March 2013 (Morales 2013), located approximately 80 km east-southeast of Badajoz, Spain (the “Project”).

Due to Covid-19 pandemic, the material obligations under the Joint Venture Agreement had not been fulfilled. Both the parties had agreed to continue with the Joint Venture agreement and to suspend all the obligations until situation in Spain gets better.

On March 31, 2021 the Joint Venture agreement was terminated and on March 31, 2021 the Company entered into an asset purchase agreement with Amaiur to acquire 100% interest in 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.

#### Property Description and Location

The Project covers an area of 90 km<sup>2</sup> which consists of 299 individual Mining Grid rectangles, which form a contiguous block and includes a Zn-Cu-Pb-Ag prospect, known as Las Herrerías.

The Project is located approximately 80 km east-southeast of Badajoz, Spain and is accessible by road.

#### Results of Operations

As at September 30, 2022, the Company had \$1,061,770 (December 31, 2021 - \$814,132) in cash and total current assets of \$1,116,063 (December 31, 2021 - \$819,636). At December 31, 2021, \$660,456 of the cash was restricted as it represented proceeds received in advance of closing the private placement in connection with the Qualifying Transaction.

Liabilities consisted of current liabilities (accounts payable and due to related parties) of \$339,173 (December 31, 2021 - \$874,703), and long term liabilities (long term portion of due to related parties, and a loan payable), in the amount of \$54,325 (December 31, 2021 - \$310,943). \$660,456 of the current liabilities at December 31, 2021 represented those subscriptions received in advance of closing the private placement noted above, and held as refundable if the Qualifying Transaction did not close. The Company entered into debt settlement agreements to settle \$622,480 of debt with the issuance of common shares of the Company. As at September 30, 2022, the shares have not yet been issued. \$577,480 of the settle is being settled with related parties.

#### *Revenue*

The exploration properties acquired by the Company are still in the early exploration and development stage. Until sufficient work has been completed to confirm the feasibility of any specific interest being placed into production, it is not anticipated that the Corporation will have any material revenue. No revenues have been reported for the three and nine months ended September 30, 2022 and 2021.

***Loss from Operations for the three and nine months ended September 30, 2022***

	<b>Three months ended</b>		<b>Nine months ended,</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Expenses</b>				
General and corporate	\$ 159,311	\$ 197,327	\$ 599,643	\$ 362,569
Exploration and evaluation property	-	-	4,249	7,072
<b>Net loss before other items</b>	<b>(159,311)</b>	<b>(197,327)</b>	<b>(603,892)</b>	<b>(369,642)</b>
Impairment of exploration assets	-	-	-	(230,000)
Listing expense	-	-	(1,031,437)	-
<b>Net loss</b>	<b>\$(159,311)</b>	<b>\$(197,327)</b>	<b>\$(1,635,329)</b>	<b>\$(599,642)</b>

Until March 31, 2022, the Company was focused on a going public transaction and securing mineral exploration projects.

General and corporate includes legal, accounting, management, marketing, rent and administration to support its operations in anticipating of a going public transaction. The increase in costs is due to going public and additional related costs.

In connection with the Qualifying Transaction, the Company recognized a listing expense (“Listing Expense”) in the amount of \$1,031,437 in Q1 2022, such amount being equal to the consideration paid less the net assets acquired under the Qualifying Transaction.

**Liquidity and Capital Resources**

As at September 30, 2022, the Company had a working capital of \$776,890 (December 31, 2021 – working capital deficiency of \$55,067); being defined as current assets less current liabilities. The increase in working capital is the result of closing the Qualifying Transaction, and having the funds available from closing the private placement.

During the nine months ended September 30, 2022, the Company used cash of \$200,865 for operating activities, received \$187,967 from the reverse takeover, and received cash from financing activities of \$260,536, being the balance of funds from the private placement.

The Company’s monthly cash burn rate on average, which was calculated as cash spent per month in operating activities, was approximately \$22,000. At its current operating level, the Company will not have sufficient funds to cover short-term operational needs. The Company expects to still operate at a loss for at minimum the next 12 months. To help with the liquidity issues, management and directors have been deferring compensation, and have in the past, settled part of these fees in exchange for common shares (to help preserve cash). As such, the Company will need additional financing for costs related to corporate operations and exploration activities. The Company is currently addressing its liquidity concerns by proactively planning future financings through the sale of equity and settling other fees and debt with the issuance of shares. The Company has been successful in the past at raising necessary funds but the timing and ability to do so will depend on the liquidity of the financial markets, economic conditions, as well as the acceptance of investors to small cap companies. There can be no guarantee that the Company will be able to secure any required financing.

The primary need for liquidity is to fund exploration programs and to maintain general corporate operations. The primary source of liquidity in the past has primarily been private financings, and loans. At times, management has deferred salaries, and/or has accepted common shares in lieu of cash to help alleviate liquidity issues.

Overall, given the working capital at September 30, 2022, the Company will not be able to meet its general operational requirements for 2022, and will require additional capital for exploration programs in 2022 and to funds operations.

The Company's management continues to hold discussions on securing financing. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

### **Selected Quarterly Information**

The following table summarizes the Company's financial information for the last eight quarters:

<b>Financial Results</b>	<b>Q3 2022 \$</b>	<b>Q2 2022 \$</b>	<b>Q1 2022 \$</b>	<b>Q4 2021 \$</b>	<b>Q3 2021 \$</b>	<b>Q2 2021 \$</b>	<b>Q1 2021 \$</b>	<b>Q4 2020 \$</b>
Revenue	nil							
Total Expenses	159,311	230,855	213,727	112,445	47,307	98,075	112,336	725,968
Net Income (Loss)	(159,311)	(230,855)	(1,245,164)	(28,823)	(47,307)	(328,075)	(112,336)	(725,968)
Basic profit (loss) per share	(0.00)	(0.00)	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Fully-diluted profit (loss) per share	(0.03)	(0.03)	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)

The Company's level of activity and expenditures during a specific quarter have been influenced by the availability of working capital, the availability of additional external financing and the status of projects and level of expenditures required to complete them. Q1 2022 net loss higher as the Listing Expense (non-cash expense) was incurred. All figures are reported in accordance with IFRS.

### **Proposed Transactions**

As at the date of this MD&A there are no proposed transactions.

## **Off-balance Sheet Arrangements**

As at the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

## **Share capital**

Merida's authorized share capital consists of an unlimited number of Common Shares without par value. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital.

As at the date of this MD&A, there were 58,510,159 Common Shares outstanding, 3,493,587 warrants, and 3,900,000 stock options.

## **Risk Factors**

The Company's business is subject to a number of risk factors which are described in the Filing Statement which was filed on SEDAR on February 16, 2022. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Common Shares to decline.

If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.

## **Critical accounting estimates**

The preparation of the 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 financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements.

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.

### *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.

#### *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.

## **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. 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 properties in which the Company currently has an interest are in the exploration and evaluation 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 Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to any externally imposed capital requirements.

## **Related Party Transactions and Balances**

### **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:

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Salary or other short-term benefits	\$ 74,297	\$ 45,482	\$ 251,707	\$ 165,262
Professional and legal fee	2,034	-	14,275	-
	<b>\$ 76,331</b>	<b>\$ 45,482</b>	<b>\$ 265,982</b>	<b>\$ 165,262</b>

### **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.

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.

## **Financial Risk Factors**

### **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.

**Additional Information**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).