

**Merida Minerals Holdings Inc. (formerly
Winston Capital Group Inc.)**

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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To the Shareholders of Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.):

Opinion

We have audited the consolidated financial statements of Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.) and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

May 2, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020

	Notes	2021 \$	2020 \$
Assets			
Current Assets			
Cash	2 & 3	237,968	342,663
Amounts receivable		11,968	5,545
		249,936	348,208
Current Liabilities			
Accounts payable and accrued liabilities	2	25,688	55,330
		25,688	55,330
Shareholders' Equity			
Share capital	4	518,547	518,547
Warrants	4	-	26,449
Contributed surplus	5	67,258	67,258
Deficit		(361,557)	(319,376)
		224,248	292,878
		249,936	348,208

Nature of operations (note 1)

Subsequent Events (Note 10)

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

Approved on behalf of the Board

“Norm Brewster” _____, Director

“Rahim Allani” _____, Director

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2021 and 2020

	Note	2021 \$	2020 \$
<hr/>			
Expenses			
Professional and administrative		68,630	84,792
<hr/>			
Net Loss and Comprehensive loss for the year		(68,630)	(84,792)
<hr/>			
Basic and diluted weighted average number of shares:	4	5,000,000	5,000,000
Basic and diluted loss per share:	4	(\$0.014)	(\$0.020)

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

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020

	Common Shares Amount	Common Shares \$	Contributed Surplus \$	Warrants \$	(Deficit) \$	Total Shareholders' Equity \$
Balance at December 31, 2019	7,500,000	518,547	67,258	26,449	(234,584)	377,670
Net and comprehensive loss	-	-	-	-	(84,792)	(84,792)
Balance at December 31, 2020	7,500,000	518,547	67,258	26,449	(319,376)	292,878
Broker warrants expired	-	-	-	(26,449)	26,449	-
Net and comprehensive loss	-	-	-	-	(68,630)	(68,630)
Balance at December 31, 2021	7,500,000	518,547	67,258	-	(361,557)	224,248

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

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
	\$	\$
Operating activities		
Net loss for the year	(68,630)	(84,792)
Changes in non-cash working capital		
Amounts receivable	(6,423)	(5,545)
Accounts payable and accrued liabilities	(29,642)	32,190
	(104,695)	(58,147)
Net (decrease) in cash	(104,695)	(58,147)
Cash, beginning of year	342,663	400,810
Cash, end of year	237,968	342,663

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

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

1. Nature of Operations

Merida Minerals Holdings Inc. (the "Corporation") was incorporated on October 22, 2018 as Winston Capital Group Inc. ("Winston") pursuant to the provisions of the Business Corporations Act (Alberta). The Corporation is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation will be to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option, or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Corporation is located at Suite 1600, 333–7th Avenue SW, Calgary Alberta, T2P 2Z1.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

On March 5, 2019, the Corporation's shares commenced trading on the Toronto Venture Exchange under the stock symbol "WNST.P".

On December 3, 2020, the Corporation incorporated 2797200 Ontario Inc., a wholly owned subsidiary, to facilitate the proposed qualifying transaction. This subsidiary conducted no business activities during the year.

Pursuant to the Business Combination Agreement signed on May 11, 2020, the Corporation's wholly owned subsidiary, 2797200 Ontario Inc. ("Subco"), will amalgamate (the "Amalgamation") with Merida Minerals Inc. ("Merida") to complete the qualifying transaction (the "Transaction") in accordance with the policies of the Exchange. Upon completion of the Amalgamation, the resulting issuer will be known as "Merida Mineral Holdings Inc." (the "Resulting Issuer") and the Resulting Issuer will continue the business of Merida. Merida is a mineral exploration company focused on developing the long-term mining potential of the ZnCu-Pb enriched Puebla de la Reina ("PBR") property in the low-risk and historic mining district in Southwest Spain. The Transaction is subject to the receipt of all necessary regulatory approvals and shareholder approvals required by applicable corporate law, including the approval of the shareholders of Merida, as well as the satisfaction of conditions to closing as set out in the Business Combination Agreement (see note 10).

These Consolidated Financial Statements were approved by the Board of Directors on May 2, 2022.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. To date, the operations of the Company have not been significantly affected. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Significant Accounting Policies

a) Statement of Compliance

The significant accounting policies applied in the Corporation's consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2021.

b) Basis of Presentation

The consolidated financial statements of the Corporation are prepared on a going concern basis. The Corporation's functional and presentation currency is Canadian dollars.

c) Cash

Cash includes bank deposits at a reputable financial institution in Canada.

d) Financial Instruments

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial assets

The Corporation's financial assets consist of cash, which is measured at FVTPL, and amounts receivable measured at amortized cost.

Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Significant Accounting Policies (continued)

d) Financial Instruments (continued)

Impairment of Financial Assets

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

Financial Liabilities

The Corporation's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are measured at amortized cost.

Amortized Cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Corporation de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

e) Deferred Taxes

Income tax 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 or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Significant Accounting Policies (continued)

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

f) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Corporation's net assets that results from transactions, events and circumstances from sources other than the Corporation's shareholders and includes items that are not included in net profit or loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations and items that will be reclassified subsequently directly to equity. The Corporation's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the statements of operations and comprehensive loss and changes in shareholders' equity.

g) Loss per Share

Per IAS 33 "Earnings per Share" applies to a corporation whose common shares or potential common shares are traded in a public market or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing common shares in a public market. Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. In order to calculate loss per share in these consolidated financial statements, the Corporation has calculated the weighted average number of shares outstanding for the years ended December 31, 2021 and December 31, 2020. During the years ended December 31, 2021 and December 31, 2020, the Corporation's outstanding stock options and agent's warrants were anti-dilutive.

h) Share-Based Payments

The Corporation offers a share option plan for its directors, officers, employees and selected consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest.

The Corporation may, from time to time, issue warrants to agents in connection with raising capital for the Corporation. The fair value of each warrant is measured using the Black-Scholes option pricing model. The resulting expense is recognized in equity as a reduction of the proceeds from the capital raise.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Significant Accounting Policies (continued)

Any consideration paid on exercise of share options and warrants is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options and warrants are exercised.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the fair value of the equity instrument is used.

i) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These consolidated financial statements include estimates, that, by their nature, are uncertain. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant judgments, estimates and assumptions include those related to the fair value of stock-based compensation and warrants, the recognition of deferred tax assets, and the evaluation of contingencies. Management has determined that judgments, estimates and assumptions reflected in these financial statements are reasonable.

3. Cash Restriction

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than \$3,000 per month may be used to cover administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

4. Share Capital

i) Common Shares Authorized:

Unlimited number of common shares.

ii) Common Share Rights:

The holders of common shares are entitled to vote at meetings of shareholders, receive dividends, and are subject to the prior rights, privileges and conditions attaching to the special shares, to receive the remaining property of the Corporation upon dissolution, liquidation or winding up of the Corporation.

iii) Common Shares Issued:

7,500,000 common shares with no par value.

Between October 22, 2018, and December 31, 2018, the Corporation raised \$125,000 by issuing 2,500,000 founders' shares at \$0.05 per share. All of these common shares issued are held in escrow until completion of a Qualifying Transaction. 25% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin (as defined under the policies of the Exchange) and an additional 25% will be released every 6 months following the initial release.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

4. Share Capital (continued)

These common shares are considered contingently returnable until the Corporation completes a Qualifying Transaction and are not considered to be outstanding for the purpose of the loss per share calculation.

On February 28, 2019, the Corporation completed its initial public offering (the "Offering") issuing 5,000,000 common shares at \$0.10 for total gross proceeds of \$500,000. Mackie Research Capital Corporation received a broker fee of 10% cash and 500,000 broker warrants exercisable at \$0.10 per common share valued at \$26,449. The warrants would expire 24-months from the date the shares are first listed on the TSX Venture Exchange. These warrants expired, without being exercised, on February 28, 2021.

Convertible Securities

Warrant and Option Valuation

The Corporation uses the Black-Scholes fair valuation option pricing model when calculating a share option grant or common share purchase warrant value when the common share purchase warrant forms part of a unit of securities. The valuation is dependent on a number of estimates, including the risk-free interest rate and the level of share volatility. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility. The level of share volatility was calculated with reference to the other similar corporations. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's common share purchase warrants and options.

Common Share Purchase Warrants

On February 28, 2021, 500,000 common share purchase warrants, exercisable at \$0.10, expired without being exercised. As of December 31, 2021, there are Nil warrants (2020: 500,000) outstanding.

5. 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.

On February 28, 2019, the Corporation granted 750,000 stock options. Each option entitles the holder to purchase one common share of the Corporation at \$0.10 per share for a period of 10 years from the date of the grant.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

5. Stock Options (continued)

The following tables provides information about outstanding stock options at December 31, 2021:

	2021		2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Beginning balance	750,000	0.10	750,000	0.10
Issued	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Ending balance	750,000	0.10	750,000	0.10

Exercisable options		
Weighted average remaining life (years)	Number of options	Exercise price \$
7.2	750,000	0.10

The fair value of the stock options of \$67,258 was estimated at the grant date.

6. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. from derived prices); and

Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2021 and 2020, the Corporation's cash was classified as Level 1 measurement. As at December 31, 2021 and 2020, the Corporation had no financial instruments classified at Level 2 and Level 3.

Fair Values

Except as disclosed elsewhere in these consolidated financial statements, the carrying amounts for the Corporation's financial instruments approximate their fair values because of the short-term nature of these items.

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

6. Financial Instruments and Other Risks (continued)

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Corporation's financial instruments are designated as fair value through profit or loss, or amortized cost. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur, except for amortized cost.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Corporation does not hedge its exposure to interest rate risk as such risk is minimal. None of the Corporation's cash balances are subject to variable interest rates.

Credit Risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. Credit risk is managed by dealing with counterparties that the Corporation believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties. The Corporation does not have a significant exposure to any individual third party.

Liquidity Risk

Liquidity risk refers to the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The current assets reflected on the consolidated statements of financial position are highly liquid. As at December 31, 2021, the Corporation had current assets of \$249,936 (2020 - \$348,208) to settle current liabilities of \$25,688 (2020 - \$55,330).

7. Capital Disclosures

As at December 31, 2021, the Corporation was not subject to any regulatory capital requirements. The Corporation's defines its capital as shareholders' equity.

The Corporation's objectives when managing capital include:

- (a) ensuring that the Corporation meets relevant regulatory capital requirements when applicable,
- (b) ensuring that the Corporation is able to meet its financial obligations as they become due; and
- (c) ensuring that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions.

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

8. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	2021 \$	2020 \$
Loss before income taxes	(68,630)	(84,792)
Statutory income taxes	26.5%	26.5%
Expected income tax recovery at statutory rate	(18,186)	(22,470)
Change in tax benefits not recognized	18,186	22,470
Income tax (recovery) expense	-	-

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

	2021 \$	2020 \$
Share issuance costs	32,000	48,000
Non-capital loss	310,850	226,210

The Canadian losses carry forwards expire as noted in the table below.

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

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

Year	Amount \$
2038	7,960
2039	117,460
2040	100,790
2041	84,640
Total	310,850

Merida Minerals Holdings Inc. (formerly Winston Capital Group Inc.)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

9. Related Party Transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

There was Nil (2020: Nil) compensation paid to key management and directors of the Corporation.

10. Subsequent Events

On March 31, 2022, the Corporation announced that, pursuant to its filing statement dated February 14, 2022, it had completed its Qualifying Transaction via a three-corner amalgamation involving Merida, 2797200 Ontario Inc. (Winston's wholly owned subsidiary) and Winston Capital Group Inc. Following the amalgamation, the Corporation changed its name to Merida Minerals Holdings Inc. More details can be found at www.SEDAR.com under the Company's profile.

On April 4, 2022, the Corporation, under the new name of Merida Minerals Holdings Inc, commenced trading on the TSX-Venture, as a Tier 2 listed company, with the new trade symbol of ESPN.