

MERIDA MINERALS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

Merida Minerals Inc.
Unaudited Condensed Interim Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

	As at December 31, 2021	As at June 30, 2021
ASSETS		
Current assets		
Cash	\$ 153,676	\$ 161,790
Restricted cash (note 3)	660,456	-
Prepaid expenses	5,504	5,622
TOTAL ASSETS	\$ 819,636	\$ 167,412
LIABILITIES AND DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 104,073	\$ 67,830
Subscriptions received in advance (note 3)	660,456	-
Due to related parties (note 6 and 9)	110,174	341,288
	874,703	409,118
Long term liabilities (note 6)	262,365	-
Loan payable (note 5)	48,578	45,088
Total liabilities	1,185,646	454,206
Deficiency		
Share capital (note 7)	2,235,221	2,235,221
Contributed surplus	51,200	51,200
Accumulated other comprehensive loss	(23,431)	(20,346)
Deficit	(2,629,000)	(2,552,869)
Total deficiency	(366,010)	(286,794)
TOTAL LIABILITIES AND DEFICIENCY	\$ 819,636	\$ 167,412

Going concern (note 1)

Approved and authorized for issue by the Board of Directors on February 28, 2022.

Signed:

Signed:

“Norman Brewster”, Director

“Rahim Allani”, Director

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

Merida Minerals Inc.**Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the three and six months ended December 31, 2021 and December 31, 2020**

(Expressed in Canadian dollars)

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Expenses				
General and corporate (note 6)	\$ 112,445	\$ 301,228	\$ 159,752	\$ 687,074
Exploration and evaluation property (note 4)	-	424,740	-	450,196
Net loss before other items	(112,445)	(725,968)	(159,752)	(1,137,270)
Gain on forgiveness of debt	83,623	-	83,623	-
Net loss	(28,823)	(725,968)	(76,130)	(1,137,270)
Other comprehensive income/ (loss)				
Foreign currency translation gain/ (loss)	(3,872)	23,402	(3,085)	(1,980)
Comprehensive loss	\$ (32,695)	\$ (702,566)	\$ (79,215)	\$ (1,139,250)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.03)
Weighted average number of common shares outstanding, basic and diluted	44,676,826	40,956,420	44,676,826	34,558,549

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

Merida Minerals Inc.
Unaudited Condensed Interim Consolidated Statement of Changes in Deficiency
(Expressed in Canadian dollars)

	Share capital	Share capital	Shares to be issued	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance June 30, 2020	47,481,251	348,875	25,000	51,200	2,700	(1,263,334)	(835,559)
Shares issued under private placement	3,179,850	317,985	(25,000)	-	-	-	292,985
Share issue costs	-	(7,000)	-	-	-	-	(7,000)
Shares issued for debt settlement	13,095,725	1,309,573	-	-	-	-	1,309,573
Share cancellation	(21,380,000)	(155,650)	-	-	-	-	(155,650)
Amendment to price of private placement	-	191,438	-	-	-	-	191,438
Shares issued for property acquisition	2,300,000	230,000	-	-	-	-	230,000
Other comprehensive loss	-	-	-	-	(1,980)	-	(1,980)
Net income and comprehensive income for	-	-	-	-	-	(1,137,270)	(1,137,270)
Balance December 31, 2020	44,676,826	2,235,221	-	51,200	720	(2,400,604)	(113,463)
Balance June 30, 2021	44,676,826	2,235,221	-	51,200	(20,346)	(2,552,870)	(286,795)
Other comprehensive loss	-	-	-	-	(3,085)	-	(3,085)
Net income and comprehensive income	-	-	-	-	-	(76,130)	(76,130)
Balance December 31, 2021	44,676,826	2,235,221	-	51,200	(23,431)	(2,629,000)	(366,010)

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

Merida Minerals Inc.
Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the three and six months ended December 31, 2021 and December 31, 2020
(Expressed in Canadian dollars)

	2021	2020
Cash flow from operating activities		
Net loss	\$ (76,130)	\$ (1,137,269)
Items not affecting cash:		
Interest accretion expense	3,490	-
Shares issued for property acquisition	-	230,000
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	36,241	653,830
Subscriptions received in advance	660,456	-
Prepaid expenses	118	-
Due to related parties	31,251	(49,717)
Total cash flows used in operating activities	655,427	(303,156)
Cash flow from financing activities		
Issue of common shares, net of costs	-	477,423
Loan repayments	-	(24,000)
Total cash flows provided by financing activities	-	453,423
Effect of exchange rate changes	(3,085)	(1,980)
Net change in cash	652,342	148,287
Cash and restricted cash, beginning balance	161,790	32,147
Cash and restricted cash, ending balance	\$ 814,132	\$ 180,434

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

Merida Minerals Inc.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Merida Minerals Inc. (the "Company" or "Merida") was incorporated as 2649385 Ontario Inc., on August 8, 2018, under the Business Corporations Act (Ontario) and carries on business in the acquisition, exploration and development of mineral properties in Spain. On September 4, 2019, the Company changed its name to Merida Minerals Inc. The Company's registered and head office is located at 15 Toronto Street, Suite 602, Toronto, Ontario, M5C2E3.

The Company entered into a definitive agreement dated December 9, 2020 (the "Business Combination Agreement") with Winston Capital Group Inc. ("Winston"). Pursuant to the Business Combination Agreement, Winston's wholly owned subsidiary, 2797200 Ontario Inc. ("Subco"), will amalgamate with Merida (the "Amalgamation") to complete the qualifying transaction (the "Transaction") of Winston in accordance with the policies of the Exchange. Upon completion of the Amalgamation, the resulting issuer will be known as "Merida Minerals Inc." (the "Resulting Issuer") and the Resulting Issuer will continue the business of Merida. 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. Concurrent with the Transaction, the Company will complete a private placement financing for minimum gross proceeds to Merida of \$692,526 through the sale of a minimum of 4,616,840 Units. Each Unit will comprise of one (1) common share and one half of one (1/2) warrant. Each warrant shall be exercisable for a period of 24 months from the date of issuance at an exercise price of \$0.30 per common share (see note 9).

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.

Merida Minerals Inc.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements for the year ended June 30, 2021. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2021, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

These financial statements were approved by the Board of Directors of the Company on February 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
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 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.

Merida Minerals Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

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.

Merida Minerals Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

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. SUBSCRIPTIONS RECEIVED IN ADVANCE

During the period ended December 31, 2021, the Company received cash in advance relating to share issuances totaling \$660,456.

4. EXPLORATION AND EVALUATION PROJECT

During the period ended June 30, 2019, the Company entered into a Letter of Interest with Auplata-Amaiur (“Amaiur”) to earn a 100% interest in a joint venture which owns 100% of the Herrerias Investigation Permit (the “Herrerias Property”).

On July 25, 2019, the Company and Amaiur entered into a Joint Venture Agreement to explore and, if proved economic, develop the Herrerias Property.

Due to Covid-19 pandemic, 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.

During the year ended June 30, 2021, the Joint Venture Agreement was terminated and the Company entered into a new purchase agreement with Amaiur to acquire 100% interest in Herrerias Property. The consideration for the transfer of 100% of the Herrerias Property is as follows:

- €75,000 (CAD\$110,250) plus 21% VAT (€15,750) (CAD\$23,150)
- Issue 2,300,000 shares to Amaiur
- A royalty 1% Net Smelter Return (NSR)

Merida Minerals Inc.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION PROJECT (continued)

The purchase agreement will be executed once the extension of the investigation permit is granted by the government mining authority in Spain. During the year ended June 30, 2021, the Company issued 2,300,000 common shares to Amaiur. The shares have a fair value of \$230,000. Due to the uncertainty one the timing of the extension of the permit and execution of the purchase agreement, the Company fully impaired the amount.

During the three months ended December 31, 2021, the Company incurred pre-exploration expenditures of \$nil (December 31, 2020: \$25,456).

5. LOAN PAYABLE

During the year ended June 30, 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 \$3,490 (2020 - \$nil) was recorded in the income statement for the six months ended December 31, 2021.

6. 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 six months ended December 31, 2021 and 2020:

	2021	2020
Salary or other short-term benefits	\$ 90,965	\$ 90,965
Professional and legal fee	-	166,408
Consultancy fees	(84,133)	40,144
	\$ 6,832	\$ 297,517

b) Other related party balances and transactions

During the year ended June 30, 2021, 2020, the Company settled payables in the amount of \$872,148 with related parties. The debt was settled with the issuance of 8,721,475 common shares at \$0.10 per share (being the fair value of the shares at the date of issuance).

As of December 31, 2021, a balance of \$72,539 (June 30, 2021: \$ 341,288) 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, unsecured and due on demand.

\$262,365 of amounts due to related parties have been deferred and will not be repaid until such time as the Company completes an equity financing raising gross proceeds of no less than \$8,000,000; or (ii) January 31, 2025.

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

Merida Minerals Inc.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL**a) Shares authorized**

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

As of December 31, 2021, no preferred shares have been issued.

b) Common shares issued and outstanding

	Shares	Amount
Balance June 30, 2020	47,481,251	348,875
Shares cancelled (i)	(21,380,000)	(155,650)
Amendment of share price (ii)	-	191,438
Shares issued under private placement (iii)	3,179,950	317,985
Share issue costs	-	(7,000)
Shares issued on settlement of debt (iv)	11,788,645	1,178,865
Shares issued on settlement of debt (v)	1,307,080	130,708
Shares issued for property acquisition (note 4)	2,300,000	230,000
Balance June 30, 2021 and December 31, 2021	44,676,826	\$ 2,235,221

(i) On July 2, 2020, 21,380,000 common shares were cancelled.

(ii) On October 1, 2020, the Company amended the share price of 6,231,250 shares originally issued at \$0.02 per share to \$0.05 per share.

(iii) On July 30, 2020, the Company completed a private placement for gross proceeds of \$317,985 and issued 3,179,850 common shares. The Company also issued 1,589,925 warrants to various subscribers. Each warrant entitles the holders to purchase one common share at a price of \$0.25 per share up to July 30, 2022. The Company determined the fair value of warrants issued to be \$Nil.

(iv) On October 21, 2020, \$1,178,865 of payables were settled with the issuance of 11,788,645 common shares.

(v) On October 27, 2020, \$130,708 of payables were settled with the issuance of 1,307,080 common shares.

Merida Minerals Inc.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)**d) Stock options**

The Company has a stock option plan which provides for the granting of options to purchase common shares to officers, directors, and other service providers at the discretion of the directors.

As at December 31, 2021, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price (\$'s)	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
850,000	0.10	January 31, 2024	850,000	2.29
600,000	0.10	March 31, 2024	600,000	2.25
800,000	0.10	June 30, 2024	800,000	2.50
1,700,000	0.10	June 30, 2024	800,000	2.50
550,000	0.10	December 31, 2022	550,000	0.75
4,500,000			4,500,000	2.18

The weighted average fair value per option issued during the period was \$nil (year ended June 30, 2020 - \$0.02).

No options were granted during the six months ended December 31, 2021 and December 31, 2020.

8. 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 December 31, 2021 the Company had a cash balance of \$814,132 (June 30, 2021 - \$161,790) to settle current liabilities of \$874,703 (June 30, 2021 - \$409,118). 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.

Merida Minerals Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

8. FINANCIAL RISK FACTORS (continued)

(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 December 31, 2021, 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.

9. SUBSEQUENT EVENTS

On January 31, 2022, the Company issued 6,333,334 shares at \$0.15 per share for proceeds of \$950,000.