

**HISPANIA RESOURCES INC.**  
**(formerly Merida Minerals Holdings Inc.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three and nine months ended September 30, 2023 and 2022**

**(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**  
**Condensed Interim Consolidated Statements of Financial Position (unaudited)**  
(Expressed in Canadian dollars)

	As at September 30, 2023	As at December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 112,183	\$ 93,425
	<b>112,183</b>	<b>93,425</b>
<b>Long-term assets</b>		
Exploration and evaluation assets (note 6)	429,120	-
Deposits (note 6)	522,811	957,721
<b>TOTAL ASSETS</b>	<b>\$ 1,064,114</b>	<b>\$ 1,051,146</b>
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 315,695	\$ 291,829
Loan payable (note 7)	10,000	56,388
Due to related parties (note 8)	1,382,129	945,292
	<b>1,707,824</b>	<b>1,293,509</b>
Total liabilities	<b>1,707,824</b>	<b>1,293,509</b>
<b>Equity (deficiency)</b>		
Share capital (note 9)	3,719,811	3,719,811
Warrants (note 9)	155,718	155,718
Contributed surplus	132,035	132,035
Accumulated other comprehensive loss	(15,237)	(7,074)
Deficit	(4,636,037)	(4,242,853)
Total equity (deficiency)	<b>(643,710)</b>	<b>(242,363)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>	<b>\$ 1,064,114</b>	<b>\$ 1,051,146</b>

**Nature of business and going concern** (note 1)

**Subsequent event** (note 11)

Approved and authorized for issue by the Board of Directors on November 4, 2023

Signed:

Signed:

“Norman Brewster”, Director

“Rahim Allani”, Director

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

**Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)**  
(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Expenses</b>				
General and corporate (note 8)	\$ 192,632	\$ 159,311	\$ 580,486	\$ 599,643
Mineral property investigation expenses	6,879	-	11,015	4,249
	<b>(199,511)</b>	(159,311)	<b>(591,501)</b>	(603,892)
<b>Other items</b>				
Provision for VAT receivable	691	-	198,317	-
Listing expense (note 5)	-	-	-	(1,031,437)
<b>Net loss</b>	<b>\$ (198,820)</b>	\$ (159,311)	<b>\$ (393,184)</b>	\$ (1,635,329)
<b>Other comprehensive income/ (loss)</b>				
<i>Items that may be reclassified to profit or loss</i>				
Foreign currency translation gain(loss)	(5,869)	(42,226)	(8,163)	(51,895)
<b>Comprehensive loss</b>	<b>\$ (204,680)</b>	\$(201,537)	<b>\$ (401,347)</b>	\$ (1,687,224)
<b>Loss per share, basic and diluted</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.03)
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>58,510,160</b>	58,510,160	<b>58,510,160</b>	53,983,812

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

**Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**  
**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency) (unaudited)**  
(Expressed in Canadian dollars)

					<b>Accumulated other Contributed comprehensive</b>		
	<b>Share capital</b>	<b>Share capital</b>	<b>Warrants</b>	<b>surplus</b>	<b>income</b>	<b>Deficit</b>	<b>Total</b>
	#	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2021</b>	44,676,826	2,235,221	-	51,200	(23,263)	(2,629,000)	(365,842)
Shares issued under private placement	6,333,333	950,000	-	-	-	-	950,000
Share issue costs	-	(55,705)	26,697	-	-	-	(29,008)
Shares issued on reverse takeover	7,500,000	1,232,327	-	-	-	-	1,232,327
Other comprehensive loss	-	-	-	-	(51,895)	-	(51,895)
Net income and comprehensive income	-	-	-	-	-	(1,635,329)	(1,635,329)
<b>Balance, September 30, 2022</b>	58,510,159	4,361,843	26,697	51,200	(75,158)	(4,264,329)	100,253
<b>Balance, December 31, 2022</b>	58,510,159	3,719,811	155,718	132,035	(7,074)	(4,242,853)	(242,363)
Other comprehensive loss	-	-	-	-	(8,163)	-	(8,163)
Net income and comprehensive income	-	-	-	-	-	(393,184)	(393,184)
<b>Balance September 30, 2023</b>	58,510,159	3,719,811	155,718	132,035	(15,237)	(4,636,037)	(643,710)

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

**Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**  
**Condensed Interim Consolidated Statements of Cash Flows (unaudited)**  
(Expressed in Canadian dollars)

	<b>Nine months ended September 30, 2023</b>	Nine months ended September 30, 2022
<b>Cash flow from operating activities</b>		
Net loss	\$ (393,184)	\$ (1,635,328)
Items not affecting cash:		
Listing cost	-	1,031,437
Foreign exchange	(2,373)	(51,895)
Interest accretion expense	3,612	5,747
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	23,866	96,724
Prepaid expenses	-	(35,866)
Due to related parties	436,837	388,316
<b>Total cash flows from (used) in operating activities</b>	<b>68,758</b>	<b>(200,865)</b>
<b>Cash flow from investing activities</b>		
Cash acquired on RTO	-	187,967
<b>Total cash flows provided by investing activities</b>	<b>-</b>	<b>187,967</b>
<b>Cash flow from financing activities</b>		
Repayment of loan	(50,000)	-
Issue of common shares net of issue costs	-	260,536
<b>Total cash flows provided by financing activities</b>	<b>(50,000)</b>	<b>260,536</b>
<b>Net change in cash</b>	<b>18,758</b>	<b>247,638</b>
<b>Cash, beginning balance</b>	<b>93,425</b>	<b>814,132</b>
<b>Cash, ending balance</b>	<b>\$ 112,183</b>	<b>\$ 1,061,770</b>
<b>Supplemental cash flow information</b>		
<i>Non-cash financing and investing activities</i>		
Shares deemed issued on RTO	\$ -	\$ 741,479
Stock options deemed issued on RTO	\$ -	\$ 80,835

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

## **1. NATURE OF BUSINESS AND GOING CONCERN**

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### **Nature of business**

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.) (the "Company") was incorporated under the Business Corporations Act (Alberta) on October 22, 2018 as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). On March 31, 2022, the Company completed its qualifying transaction pursuant to the rules of the Exchange (the "Qualifying Transaction"), resulting in a reverse takeover of the Company by Merida Minerals Inc. ("Merida"). Merida was incorporated on August 8, 2018, under the Business Corporations Act (Ontario). The Qualifying Transaction was completed by way of an amalgamation agreement (the "Agreement") pursuant to which, among other things, (i) the Company completed a business combination involving a triangular merger among the Company, Merida and 2797200 Ontario Inc ("Subco"), whereby Merida and Subco amalgamated (the "Amalgamation"), with Merida surviving as a wholly owned subsidiary of the Company named Merida Mining Corp. (ii) the former shareholders of Merida received one post-Transaction common share in the capital of the Company on a 1:1 basis. The Qualifying Transactions constituted a Reverse Takeover ("RTO"). The consolidated statement of financial position are presented as a continuance of Merida and the comparative figures presented are those of Merida (note 5).

The Company is an exploration and development company focused on the acquisition, exploration and development of properties in Spain.

The Company's registered and head office is located at 60 Wellesley Street West, Unit 2, Toronto, Ontario, M5S 3L2, Canada. The common shares are listed for trading on the Toronto Venture Exchange under the symbol "ESPN".

### **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.

For the nine months ended September 30, 2023, the Company recorded a net loss of \$393,184 and at September 30, 2023 its current liabilities exceeded its current assets by \$1,595,641 and an accumulated deficit of \$4,636,037. The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital or conclude a corporate transaction. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Management is aware, in making its assessment of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern.

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

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

## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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### **Basis of presentation**

The consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements were approved by the Board of Directors of the Company on November 4, 2023.

### **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:

<b>Entity</b>	<b>Country of incorporation</b>	<b>Percentage owned As of September 30, 2023</b>	<b>Percentage owned As of December 31, 2022</b>
La Joya Mineral S.L.U. (“La Joya”)	Spain	100%	100%
Merida Mining Corp. (“Merida”)	Canada	100%	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. The functional currency of Merida is the Canadian dollar.

### **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:

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

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### **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.

- *Reverse takeover transaction*

The determination of fair value of assets acquired, liabilities assumed, and the fair value of the purchase consideration requires the use of various estimates made by management. The classification of a transaction as a business combination or asset acquisition depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3 – *Business Combination*, which can be a complex judgement.

The Company bases its estimates and judgements on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

- *Going concern assumption*

The financial statements 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.

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

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### **Critical judgments and estimation uncertainties (continued)**

- *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.

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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These Consolidated Financial Statements reflect the accounting policies described in Note 3 to the 2022 Annual Audited Consolidated Financial Statements and accordingly, should be read in conjunction with the 2022 Annual Audited Consolidated Financial Statements and the notes thereto.

### **New Accounting Standards and Interpretations not yet effective**

Accounting Standards that have recently been issued or amended but are not yet effective, have not been early adopted by the Company for the nine months ended September 30, 2023. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **4. CAPITAL MANAGEMENT**

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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. The Company's financial strategy and objectives have remained substantially unchanged for the past two fiscal periods.

## **5. QUALIFYING TRANSACTION**

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On March 31, 2022, the Company completed its Qualifying Transaction, pursuant to the Agreement dated December 9, 2020, whereby the Company acquired 100% of the issued and outstanding shares of Merida by issuing one share of the Company for each share of Merida.

The Qualifying Transaction does not constitute a business combination as the Company did not meet the definition of a business under IFRS 3 – *Business Combinations*. Immediately after the transaction, Merida shareholders owned approximately 87% of the voting rights of the Company. As a result, the Qualifying Transaction has been accounted for as an RTO transaction with the Company being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. These consolidated financial statements are a continuation of the financial statements of Merida and reflect the assets, liabilities and operations of Merida. For accounting purposes, Merida is deemed to have acquired the Company as part of the Qualifying Transaction. The acquisition did not meet the criteria for a business combination and is therefore treated as a recapitalization under IFRS 2 – *Share Based Payments*.

The consideration consisted of the outstanding shares and stock options of the Company which were measured at the estimated fair value on the date of acquisition. The fair value of the common shares was determined to be \$741,479 based on the fair value of the shares deemed issued (7,500,000 shares at \$0.109 per share). A liquidity discount of \$77,818 has been applied to the fair value of the shares deemed issued for the 2,500,000 shares subject to an escrow release conditions. The fair value of the stock options deemed issued was determined to be \$78,750 using the Black Scholes Option Pricing Model based on the following assumptions: stock price volatility – 185%; risk-free interest rate – 2.35%; stock price of \$0.106.

Details of the allocation of the purchase price consideration are as follows:

<b>Net assets acquired and allocation</b>	
Cash	\$ 187,968
Accounts payable	(12,000)
Net assets acquired as at March 31, 2022	\$175,968
Listing expense	646,347
<b>Net assets acquired as at March 31, 2022</b>	<b>\$ 822,314</b>
<b>Consideration given</b>	
Common shares deemed issued – 7,500,000 @ \$0.109 per share	\$ 741,479
750,000 stock options with a fair value of \$0.108 per option	80,835
	<b>\$ 822,314</b>

In connection with the Qualifying Transaction, the Company recognized a listing expense in the amount of \$646,347, such amount being equal to the consideration paid less the net asset acquired under the Qualifying Transaction.

## **6. EXPLORATION AND EVALUATION PROJECT**

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### Herrerias Property

During the year ended September 30, 2021, the Company entered into a purchase agreement with Auplata-Amair (“Amair”) to acquire 100% interest in the Herrerias Property. The consideration for the purchase of the Herrerias Property is as follows:

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

## **6. EXPLORATION AND EVALUATION PROJECT (continued)**

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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 September 30, 2021, the Company issued 2,300,000 common shares to Amaur. The shares had a fair value of \$230,000.

### Segoviana West Property

During the year ended December 31, 2022, the Company entered into an agreement with Sociedad De Investigación Y Explotación Minera De Castilla Y León, Sa (“Siemcalsa”), to acquire 100% of the Segoviana West Property in Spain for a purchase price of EUR300,000 (the “Purchase Price”). The acquisition is subject to approval of the Spanish mining authority (“Mining Authority”) and the transfer of the permit by the Mining Authority to the Company. In accordance with the agreement, the Company paid the purchase price as a refundable deposit which shall be returned to the Company if the Mining Authority does not grant the transfer of the permit.

### Lumbrales Property

During the year ended December 31, 2022, the Company entered into an agreement with (“Siemcalsa”), to acquire 100% of the Lumbrales Property in Spain for a purchase price of EUR250,000 (the “Purchase Price”). The acquisition is subject to approval of the Mining Authority and the transfer of the permit by the Mining Authority to the Company. In accordance with the agreement, the Company paid the purchase price as a refundable deposit which shall be returned to the Company if the Mining Authority does not grant the transfer of the permit.

In March, 2023, the Company received notice that the transfer of the Lumbrales permit to the Company's wholly owned subsidiary La Joya, has been approved subject to the following conditions:

- (i) Extension granted for 3 years from the date of the notice of approval;
- (i) Prior to the commencement of any work, a deposit of €7,400.00, must be made; and
- (ii) An annual work plan for the first year of the extension and to communicate the commencement of work on the extension.

## **7. LOAN PAYABLE**

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During the year ended September 30, 2021, the Company was advanced \$60,000 by 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 \$3,612 was recorded in the statement of loss and comprehensive loss for the nine months ended September 30, 2023. At September 30, 2023, \$10,000 of the loan remains outstanding.

## **8. RELATED PARTY TRANSACTIONS**

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### **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:

**8. RELATED PARTY TRANSACTIONS (continued)**

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	<b>Nine months ended September 30, 2023</b>	Nine months ended September 30, 2022
Management fees or other short-term benefits	\$ 254,250	\$ 251,707
Professional and legal fee	52,867	14,275
Consultancy fees	25,425	-
Rent	15,255	-
	<b>\$ 347,797</b>	<b>\$ 265,982</b>

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**b) Other related party balances and transactions**

As of September 30, 2023, a balance of \$1,382,129 (December 31, 2022 - \$945,292) was owing to the directors, officers, family members of directors and officer and companies controlled by directors and officers, and their family members for fees and expenses paid on behalf of the Company. All amounts are non-interest bearing and unsecured.

**9. SHARE CAPITAL**

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**a) Shares authorized**

Unlimited number of common shares without nominal or par value

**b) Common shares issued and outstanding**

As at September 30, 2023 and December 31, 2022, there were 58,510,159 common shares issued and outstanding.

- (i) In connection with the Qualifying Transaction (March 31, 2022), the Company completed a private placement (the "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 ("Merida Common Share") and one half share purchase warrant ("Merida Unit Warrant"). Each whole Merida Unit Warrant is exercisable at a price of \$0.30 per Merida Common Share for a period of twenty-four (24) months from the closing of the Private Placement. The Company determined the fair value of warrants issued to be \$129,074 using the residual value method. In connection with the Private Placement, the Company paid a cash commission and issued 326,920 broker warrants (the "Broker Warrant"). Each Broker Warrant entitles the holder to one common share and is exercisable at a price of \$0.30 per Common Share for a period of 24 months from the date of issuance, subject to the requirements of the Exchange. The broker warrants were assigned a value of \$26,644 using the Black Scholes option pricing model with the following assumptions: exercise price of \$0.30, stock price of \$0.109, risk free interest rate 1.32%; expected volatility of 198%; expected dividend yield of 0% and an expected life of 2 years.

**c) Escrow shares**

At September 30, 2023, 8,039,250 (December 31, 2022 – 28,555,725) common shares remain in escrow relating to the RTO. The shares will be released from escrow between March 31, 2022 and March 31, 2025.

**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.

**Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**  
**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**  
September 30, 2023  
(Expressed in Canadian dollars)

**9. SHARE CAPITAL (continued)**

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

The following are the details of all stock options granted under the Plan during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	4,500,000	0.10
Deemed issued pursuant to the Qualifying transaction (note 4)	750,000	0.10
Cancelled	(700,000)	0.10
Expired	(1,550,000)	0.10
<b>Balance, December 31, 2022 and September 30, 2023</b>	<b>3,000,000</b>	<b>0.10</b>

As at September 30, 2023, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price (\$'s)	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
400,000	0.10	January 31, 2024	400,000	0.33
600,000	0.10	March 31, 2024	600,000	0.50
800,000	0.10	April 6, 2024	800,000	0.52
450,000	0.10	September 30, 2024	450,000	0.75
750,000	0.10	February 28, 2029	750,000	5.42
<b>3,000,000</b>			<b>3,000,000</b>	<b>1.99</b>

The weighted average fair value per option issued during the period was \$n/a (year ended December 31, 2022 - \$0.11).

**e) Warrants**

The following are the details of activity of the share purchase warrants during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	1,589,925	0.25
Issued as part of unit private placement (note 9(i))	3,166,666	0.30
Issued to brokers as finders fees (note 9(i))	326,920	0.30
Expired	(1,589,925)	0.25
<b>Balance, December 31, 2022 and September 30, 2023</b>	<b>3,493,586</b>	<b>0.30</b>

**9. SHARE CAPITAL (continued)**

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As at September 30, 2023, the following warrants were outstanding:

Number of Warrants Outstanding and Exercisable	Exercise Price (\$'s)	Expiry Date	Weighted average Remaining Contractual life in Years
3,166,667 (note 8)	0.30	January 31, 2024	0.30
326,920 (note 8)	0.30	January 31, 2024	0.30
3,493,587			0.30

**10. FINANCIAL RISK AND FAIR VALUE**

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

**Credit risk**

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

**Liquidity risk**

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

As at September 30, 2023 the Company had a cash balance of \$112,183 (December 31, 2022 - \$93,425) to settle current liabilities of \$1,707,824 (December 31, 2022 - \$1,293,509). 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.

**10. FINANCIAL RISK AND FAIR VALUE (continued)**

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**Fair value of financial assets and liabilities**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1: quoted prices (without adjustments) in active markets for identical assets or liabilities.

Level 2: inputs other than Level 1 quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs, for assets or liabilities, that are not based on observable market information (non-observable inputs).

As at September 30, 2023, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature.