

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

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hispania Resources Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Hispania Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material Uncertainty Related to Going Concern described above, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2023.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended December 31, 2023, which we obtained prior to the date of this auditor's report.

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 audit 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 audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Company'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 Company'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 Company 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

April 26, 2024
Markham, Ontario

DNTW Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants

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

	As at December 31, 2023	As at December 31, 2022
ASSETS		
Current assets		
Cash	\$ 75,242	\$ 93,425
Sales tax receivable	71,774	-
	147,016	93,425
Long-term assets		
Exploration and evaluation projects (note 6)	814,822	-
Deposits (note 6)	-	957,721
TOTAL ASSETS	\$ 961,838	\$ 1,051,146
LIABILITIES AND EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 331,002	\$ 291,829
Loan payable (note 7)	10,000	56,388
Due to related parties (note 8)	1,582,952	945,292
Total liabilities	1,923,954	1,293,509
Equity (deficiency)		
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	6,520	(7,074)
Deficit	(4,976,200)	(4,242,853)
Total equity (deficiency)	(962,116)	(242,363)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	\$ 961,838	\$ 1,051,146

Nature of business and going concern (note 1)

Subsequent event (note 12)

Approved and authorized for issue by the Board of Directors on **April 26, 2024**

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.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2023 and December 31, 2022
(Expressed in Canadian dollars)

	2023	2022
Expenses		
General and corporate (note 8)	\$ 661,931	\$ 836,318
Mineral property investigation expenses	71,416	30,538
	(733,347)	(866,856)
Other items		
Listing expense (note 5)	-	(646,347)
Gain (loss) on settlement of debt (note 8)	-	(2,927)
Net loss	\$ (733,347)	\$ (1,516,130)
Other comprehensive income/ (loss)		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation gain(loss)	13,594	15,989
Comprehensive loss	\$ (719,753)	\$ (1,500,141)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding, basic and diluted	58,510,159	56,313,813

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

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

	Share capital	Share capital	Warrants	Shares to be issued	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	#	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	44,676,826	2,235,221	-	660,456	51,200	(23,063)	(2,726,723)	197,091
Shares issued under private placement	6,333,333	820,926	129,074	(660,456)	-	-	-	289,544
Share issue costs	-	(77,815)	26,644	-	-	-	-	(51,171)
Shares issued on reverse takeover	7,500,000	741,479	-	-	80,835	-	-	822,314
Other comprehensive loss	-	-	-	-	-	15,989	-	15,989
Net income and comprehensive income	-	-	-	-	-	-	(1,516,130)	(1,516,130)
Balance, December 31, 2022	58,510,159	3,719,811	155,718	-	132,035	(7,074)	(4,242,853)	(242,363)
Balance, December 31, 2022	58,510,159	3,719,811	155,718	-	132,035	(7,074)	(4,242,853)	(242,363)
Other comprehensive loss	-	-	-	-	-	13,594	-	13,594
Net income and comprehensive income	-	-	-	-	-	-	(733,347)	(733,347)
Balance December 31, 2023	58,510,159	3,719,811	155,718	-	132,035	6,520	(4,976,200)	(962,116)

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and December 31, 2022
(Expressed in Canadian dollars)

	2023	2022
Cash flow from operating activities		
Net loss	\$ (733,347)	\$ (1,516,130)
Items not affecting cash:		
Listing cost	-	646,347
Foreign exchange	-	(21,610)
Interest accretion expense	3,612	7,810
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	27,220	127,514
Sales tax receivable	97,156	-
Due to related parties	637,660	562,989
Total cash flows used in operating activities	32,301	(229,080)
Cash flow from investing activities		
Deposits on mineral property acquisitions	-	(911,668)
Cash acquired on RTO	-	187,968
Total cash flows provided by financing activities	-	(723,700)
Cash flow from financing activities		
Issue of common shares net of issue costs	-	238,373
Repayment of loans	(50,000)	-
Total cash flows provided by financing activities	(50,000)	238,373
Effects of exchange rate changes on cash	(484)	(6,300)
Net change in cash	(18,183)	(720,707)
Cash, beginning balance	93,425	814,132
Cash, ending balance	\$ 75,242	\$ 93,425
Supplemental cash flow information		
<i>Non-cash financing and investing activities</i>		
Shares deemed issued on RTO	\$ -	\$ 741,479
Stock options deemed issued on RTO	\$ -	\$ 80,835
Units issued for receipts received in the prior year	\$ -	\$ 660,456

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

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 15 Toronto Street, Suite 602, Toronto, Ontario, M5C2E3. 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 year ended December 31, 2023, the Company recorded a net loss of \$733,347 (2022 – 1,516,130) and at December 31, 2023 its current liabilities exceeded its current assets by \$1,776,938 (December 31, 2022 - \$1,200,084) and an accumulated deficit of \$4,976,200 (December 31, 2022 - \$4,242,853). 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.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**Notes to Consolidated Financial Statements**

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

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

The consolidated financial statements of the Company have been 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 Issues Committee ("IFRIC").

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 April 26, 2024.

On March 31, 2022, upon completion of the Qualifying Transaction, the Company changed its financial year end from June 30 to December 31.

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, 2023	Percentage owned As of December 31, 2022	Percentage owned As of December 31, 2021
La Joya Mineral S.L.U. ("La Joya")	Spain	100%	100%	100%
Merida Mining Corp. ("Merida")	Canada	100%	100%	n/a

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:

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(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.

- *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.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

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

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

Exploration and evaluation assets

The Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. The costs of acquiring licenses and exploration rights are capitalized, while exploration and evaluation costs, are expensed until it has been established that a mineral property is technically feasible and commercially viable. Previously, the Company capitalized these both acquisition and exploration and evaluation amounts. The change in accounting policy had no effect on the prior periods.

Exploration and evaluation expenditures are costs incurred in the course of the initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential, including acquisition costs. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures incurred prior to obtaining the legal right to explore are expensed as incurred.

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

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine. Pre-exploration costs are expensed in the period in which they are incurred.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Income taxes

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

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

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

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

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

Share-based payments

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

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign operations

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

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

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

Transactions and balances

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

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

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

Impairment of non-financial assets

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

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

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects. The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocated value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued as their fair value at the issuance date. The balance, if any, was allocated to the attached warrants.

Warrants

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

Financial Instruments

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement – Financial assets at FVTPL

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

Subsequent measurement – Financial assets at FVTOCI

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

Derecognition

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

The Company’s financial instruments consist of the following:

Financial assets:	Classification IFRS 9
Cash	Amortized cost

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

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

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

Leases

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

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

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

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

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 year ended December 31, 2023. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

4. CAPITAL MANAGEMENT (continued)

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

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:

Net assets acquired and allocation	
Cash	\$ 187,968
Accounts payable	(12,000)
Net assets acquired as at March 31, 2022	\$175,968
Listing expense	646,347
Net assets acquired as at March 31, 2022	\$ 822,314
Consideration given	
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
	\$ 822,314

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.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROJECT

Herrerias Property

In 2021, the Company entered into a purchase agreement with Auplata-Amaiuer (“Amaiur”) 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 Amaiur (issued)
- A royalty 1% Net Smelter Return (NSR)

The purchase agreement will be executed once the extension of the investigation permit is granted by the government mining authority in Spain. The investigation permit has not been received as of the date of this consolidated financial statements.

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 (\$522,393 CAD) (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. On November 8, 2023, the Company received notice that the transfer of the Siemcalsa permit to the Company's wholly owned subsidiary La Joya, has been approved. During the year ended December 31, 2023, the Company accrued \$6,568 in land transfer taxes of the Segoviana West Property that remained payable as at December 31, 2023.

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 (\$435,328 CAD) (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. During the year ended December 31, 2023, the Company accrued \$5,474 in land transfer taxes of the Lumbrales Property that remained payable as at December 31, 2023.

7. LOAN PAYABLE

In 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 (2022 - \$7,810) was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023. As at December 31, 2023 \$10,000 of the loan remains outstanding.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**Notes to Consolidated Financial Statements**

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

8. 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:

	2023	2022
Management fees or other short-term benefits	\$ 186,000	\$ 340,537
Professional and legal fee	97,263	55,953
Consultancy fees	150,765	32,925
Rent	13,500	20,340
	\$ 447,528	\$ 449,755

b) Other related party balances and transactions

As of December 31, 2023, a balance of \$1,582,952 (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

a) Shares authorized

Unlimited number of common shares without nominal or par value

b) Common shares issued and outstanding

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

c) Escrow shares

During the year ended December 31, 2023, 2,679,750 (December 31, 2022 - 28,555,725) common shares remain in escrow relating to the RTO. The shares will be released from escrow periodically through 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.

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.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**Notes to Consolidated Financial Statements**

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

The following are the details of all stock options granted under the Plan during the year ended December 31, 2023:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	4,500,000	
Deemed issued pursuant to the Qualifying transaction (note 5)	750,000	0.10
Cancelled	(700,000)	0.10
Expired	(1,550,000)	0.10
Balance, December 31, 2022	3,000,000	0.10
Expired	(1,350,000)	0.10
Balance, December 31, 2023	1,650,000	0.10

As at December 31, 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	0.08
600,000	0.10	March 31, 2024	600,000	0.25
400,000	0.10	April 6, 2024	400,000	0.27
250,000	0.10	June 30, 2024	250,000	0.50
1,650,000			1,650,000	0.25

f) Warrants

The following are the details of activity of the share purchase warrants during the eighteen months ended December 31, 2023:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	1,589,925	0.25
Issued as part of unit at private placement (note 5)	3,166,666	0.30
Issued to brokers as finders fees	326,920	0.30
Expired	(1,589,925)	0.25
Balance, December 31, 2022 and 2023	3,493,586	0.30

As at December 31, 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	June 16, 2025(i)	1.46
326,920 (note 8)	0.30	January 31, 2024	0.08
3,493,587			1.33

- (i) In November 2023, the expiry of these warrants was extended from January 31, 2024, to June 16, 2025.

The weighted average expiry date of the warrants is 1.33 years.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)**Notes to Consolidated Financial Statements**

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

10. INCOME TAXES

The provision for income taxes differs from the amount that would have resulted in applying the combined federal statutory tax rate as follows:

	2023	2022
Net loss	\$ (733,347)	\$ (1,516,130)
Statutory income tax rate	27%	27%
Expected in tax recovery at statutory income tax rates	(198,000)	(409,000)
Difference in tax rates, foreign exchange, and other	17,100	67,000
Share issue costs	-	(15,000)
Change in valuation allowance	180,900	350,000
Income tax recovery	\$ -	\$ -

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

	December 31, 2023	December 31, 2022
Deferred tax assets		
Non-capital loss carry forwards	\$ 1,188,000	\$ 999,000
Share issue costs	-	15,000
Valuation allowance (i)	(1,188,000)	(1,014,000)
	\$ -	\$ -

- (i) The Company has not recognized the deferred tax assets as it is uncertain that there will be future taxable income available to utilize these assets.

As at December 31, 2023, the Company has approximately \$3,598,000 (December 31, 2022 - \$3,073,000) of non-capital losses in Canada that may be used to offset future taxable income expiring between 2038 and 2043.

11. FINANCIAL RISK AND FAIR VALUE

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, 2023 the Company had a cash balance of \$75,242 (December 31, 2022 - \$93,425) to settle current liabilities of \$1,923,954 (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.

Hispania Resources Inc. (formerly Merida Minerals Holdings Inc.)

Notes to Consolidated Financial Statements

December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

11. FINANCIAL RISK AND FAIR VALUE

Market risk

(a) Interest rate risk

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

(b) Currency risk

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

(c) Price risk

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

Fair value of financial assets and liabilities

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 December 31, 2023, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature.

12. SUBSEQUENT EVENT

The Company has evaluated subsequent events and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.