



**MERIDIAN MINING UK SOCIETAS
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)**

FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meridian Mining UK Societas

Opinion

We have audited the consolidated financial statements of Meridian Mining UK Societas (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of income (loss) and other comprehensive income (loss) for the years ended December 31, 2022 and December 31, 2021
- the consolidated statements of changes in equity (deficit) for the years ended December 31, 2022 and December 31, 2021
- the consolidated statements of cash flows for the years ended December 31, 2022 and December 31, 2021
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for 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 auditor’s report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 going concern is dependent on the Entity's ability to obtain adequate equity or debt financing.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These 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. In addition to the matter described in the section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We draw attention to Note 2, 3b) and 5 of the consolidated financial statements. The Entity has exploration and evaluation assets of \$8,020,634. The Entity assesses whether there is any indication of impairment. Indicators of impairment include, but are not limited to:

- The right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- Exploration for and evaluation of mineral resources in the specific area have not led to the commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where indicators of impairment exist, an impairment test is required to determine if the carrying amount of the exploration and evaluation asset exceeds its estimated recoverable amount.



Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of exploration and evaluation assets. This matter was of most significance due to the difficulties in evaluating the results of our audit procedures to assess the Entity's determination of whether the factors, individually and in the aggregate, resulted in indicators of impairment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed the Entity's evaluation of potential impairment indicators by considering whether quantitative and qualitative information in the analysis was consistent with:

- Information included in the Entity's press releases and management's discussion and analysis
- Evidence obtained in other areas of the audit, including the results of exploration activities and any updates to estimates of mineral reserves and resources
- Internal communications to management and the Board of Directors
- Inspecting publicly available information

We assessed the status of the Entity's rights to explore by discussing with management if any rights were not expected to be renewed and inspecting government registries.

We considered the activities to date in each area to which the Entity has a right to explore by comparing the actual expenditures to the budgeted expenditures and available cash flow to meet these budgeted expenditures.

We compared the prior year budgeted expenditures to the actual expenditures incurred to assess the Entity's ability to accurately budget.

We assessed if substantive expenditures on further exploration for and evaluation of mineral resources in each area of interest are planned or discontinued by inspecting budgeted expenditures.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with



the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

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 financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Sukhpreet Grewal.

Toronto, Canada

March 31, 2023

MERIDIAN MINING UK SOCIETAS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	\$ 6,174,891	\$ 9,059,798
Prepaid expenses and other assets	216,403	321,755
	<u>6,391,294</u>	<u>9,381,553</u>
Non-current assets		
Property, plant and equipment (Note 4)	841,367	748,063
Exploration and evaluation assets (Note 5)	8,020,634	6,057,012
	<u>8,862,001</u>	<u>6,805,075</u>
Total assets	<u>\$ 15,253,295</u>	<u>\$ 16,186,628</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 2,868,177	\$ 912,953
Taxes and fees payable (Note 7)	293,532	843,806
Provisions (Note 8)	349,606	410,218
	<u>3,511,315</u>	<u>2,166,977</u>
Non-current liabilities		
Provisions (Note 8)	61,900	98,860
Taxes and fees payable (Note 7)	56,668	95,652
Warrant liability (Note 9)	-	17,540,791
	<u>118,568</u>	<u>17,735,303</u>
Equity (deficit)	<u>3,629,883</u>	<u>19,902,280</u>
Share capital (Note 9)	2,300,486	1,814,863
Share premium (Note 9)	53,985,844	39,553,231
Reserves (Note 9)	68,529,198	68,908,478
Deficit	<u>(113,192,116)</u>	<u>(113,992,224)</u>
Total equity (deficit)	<u>11,623,412</u>	<u>(3,715,652)</u>
Total liabilities and equity	<u>\$ 15,253,295</u>	<u>\$ 16,186,628</u>

Nature of business and going concern (Note 1)

Subsequent events (Note 5, 17)

On behalf of the Board on March 31, 2023:

"Gilbert Clark"

Director

"Charles Riopel"

Director

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

MERIDIAN MINING UK SOCIETAS
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)
(Expressed in United States dollars, except share and per share amounts)

	December 31, 2022	December 31, 2021
Operating expenses		
Exploration and evaluation expenses (Note 11)	\$ 5,159,208	\$ 3,533,194
General and administration expenses (Note 12)	2,738,654	1,943,763
Professional fees	790,575	534,026
Care and maintenance expenses	96,040	345,970
Gain on sale of property, plant and equipment	(75,313)	(18,551)
Share-based payments (Note 9)	242,421	3,027,640
Write down of exploration and evaluation assets (Note 5)	108,773	-
Depreciation	<u>133,166</u>	<u>48,025</u>
Total operating expenses	(9,193,524)	(9,414,067)
Loss from operations	(9,193,524)	(9,414,067)
Finance items		
Mark-to-market revaluation of warrants (Note 9)	10,447,198	(28,564,576)
Finance income	59,517	13,953
Finance expense	(73,737)	568,181
Foreign exchange loss	<u>(298,059)</u>	<u>(185,571)</u>
Total finance expenses	10,134,919	(28,168,013)
Income (loss) for the year before tax	941,395	(37,582,080)
Income tax expense (Note 13)	<u>(141,287)</u>	<u>-</u>
Income (loss) for year	800,108	(37,582,080)
Other comprehensive income (loss)		-
Items that have been or may be reclassified to income (loss) in subsequent periods		
Foreign currency translation	<u>217,478</u>	<u>(435,823)</u>
Total other comprehensive income (loss)	217,478	(425,823)
Total comprehensive income (loss)	\$ 1,017,586	\$ (38,017,903)
Income (loss) per share ("EPS") (note 9)		
Basic	\$ 0.00	\$ (0.30)
Diluted	\$ (0.05)	\$ (0.30)
Weighted Average Number of Shares Outstanding (000s)		
Basic	172,893	126,057
Diluted	<u>192,080</u>	<u>126,057</u>

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

MERIDIAN MINING UK SOCIETAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 800,108	\$ (37,582,080)
Items not affecting cash:		
Accrued finance expense	73,737	93,052
Depreciation	133,166	48,025
Mark-to-market revaluation of warrants	(10,447,198)	28,564,576
Gain on sale of property, plant and equipment	(75,313)	(18,551)
Share-based payments	242,421	3,027,640
Unrealized foreign exchange	298,059	185,571
Write down of exploration and evaluation assets (Note 5)	108,773	-
Change in estimated of provisions	69,364	289,796
Reversal of taxes and fees payables (Note 7(ii))	-	(758,516)
Items affecting cash:		
Interest paid	(19,928)	(13,432)
Disbursements related to provisions	(203,814)	(332,080)
Changes in non-cash working capital items:		
Prepaid expenses and other assets	60,769	(164,048)
Inventory	-	10,249
Accounts payable and accrued liabilities	123,351	306,922
Taxes and fees payable (Note 7 and 9)	<u>(217,318)</u>	<u>(150,855)</u>
Net cash used in operating activities	<u>(9,053,823)</u>	<u>(6,493,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(102,669)	(351,521)
Additions to property, plant and equipment	(146,327)	(608,699)
Proceeds from sale of property, plant and equipment	<u>75,313</u>	<u>18,551</u>
Net cash used in investing activities	<u>(173,683)</u>	<u>(941,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement financing, net of costs	3,832,476	8,004,641
Proceeds from the exercise of stock options	135,605	9,933
Proceeds from the exercise of warrants, agent's compensation options and agent's compensation options warrants	<u>2,641,239</u>	<u>3,980,839</u>
Net cash provided by financing activities	<u>6,609,320</u>	<u>11,995,413</u>
Effect of foreign exchange on cash	<u>(266,721)</u>	<u>(16,351)</u>
Net change in cash	<u>(2,884,907)</u>	<u>4,543,662</u>
Cash, beginning of the year	<u>9,059,798</u>	<u>4,516,136</u>
Cash, end of the year	<u>\$ 6,174,891</u>	<u>\$ 9,059,798</u>

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

MERIDIAN MINING UK SOCIETAS
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Expressed in United States dollars, except share amounts)

	Share Capital			Reserves				Accumulated other comprehensive loss	Deficit	Total Equity
	Shares	Share Capital	Share Premium	Reserves	Share based payments	Warrant reserve	Other reserves			
Balance, January 1, 2021	103,788,425	\$ 1,184,781	\$ 12,021,457	\$462,185	\$2,118,521	\$ 159,449	\$ 77,273,171	\$ (13,585,402)	\$ (76,410,144)	\$ 3,224,019
Share-based payments	–	–	–	–	3,027,640	–	–	–	–	3,027,640
Shares issued on private placement	14,835,000	172,711	8,229,429	–	–	–	–	–	–	8,402,140
Share issuance costs	–	–	(397,499)	–	–	–	–	–	–	(397,499)
Exercise of stock options	137,287	1,565	16,505	–	(8,137)	–	–	–	–	9,933
Exercise of warrants	35,445,065	421,466	19,400,105	–	–	–	–	–	–	19,821,571
Exercise of agent's compensation options)	2,904,680	34,340	283,234	–	–	(103,127)	–	–	–	214,447
Comprehensive loss for the year	–	–	–	–	–	–	–	(435,823)	(37,582,080)	(38,017,903)
Balance, December 31, 2021	157,110,457	1,814,863	39,553,231	462,185	5,138,025	56,322	77,273,171	(14,021,225)	(113,992,224)	(3,715,652)
Debt restructuring transactions, conversion of debt (Note 9)	5,869,670	64,852	706,997	–	–	–	(771,849)	–	–	–
Shares issued for payment in kind of withholding taxes (Note 9)	509,795	5,377	370,763	–	–	–	–	–	–	376,140
Shares issued on private placement (Note 9)	16,750,142	178,802	4,141,570	–	–	–	–	–	–	4,320,372
Share issuance costs	–	–	(540,669)	–	–	52,773	–	–	–	(487,896)
Issuance of stock options	–	–	–	–	242,421	–	–	–	–	242,421
Exercise of stock options	397,732	4,136	208,700	–	(77,231)	–	–	–	–	135,605
Exercise of warrants	20,815,101	217,777	9,386,148	–	–	–	–	–	–	9,603,925
Exercise of agent's compensation options	421,736	4,488	81,635	–	–	(42,872)	–	–	–	43,251
Exercise of agent's compensation option warrants	959,128	10,191	77,469	–	–	–	–	–	–	87,660
Comprehensive income for the year	–	–	–	–	–	–	–	217,478	800,108	1,017,586
Balance, December 31, 2022	202,833,761	2,300,486	53,985,844	462,185	5,303,215	66,223	76,501,322	(13,803,747)	(113,192,116)	11,623,412

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

MERIDIAN MINING UK SOCIETAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Meridian Mining UK Societas (the “Company” or “Meridian”) was formed in Amsterdam, Netherlands on December 16, 2013. Effective August 15, 2017, the Company transferred its official seat from the Netherlands to London, United Kingdom. Effective April 4, 2022, the Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol MNO. The Company is currently engaged in the exploration and development of mineral deposits in Brazil, through its subsidiaries, Rio Cabaçal Mineração Ltda (“Rio Cabaçal”) and Meridian Mineração Jaburi S.A. (“Jaburi”). The Company’s head office is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom.

Going Concern

These consolidated 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 as they come due into the foreseeable future. The Company incurred an income of \$800,108 during the year ended December 31, 2022 (2021 – loss of \$37,582,080). The Company has a working capital of \$2,879,979 as at December 31, 2022 (December 31, 2021 - \$7,214,576).

To continue as a going concern, the Company will need to secure new funding. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration successes. There can be no assurance that these initiatives will be successful, or sufficient financing will be available. These material uncertainties cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements and accompanying notes were authorized for issue by the Company’s Board of Directors on March 31, 2023.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. The financial statements of the Company are presented in United States (“US”) dollars, which is the functional currency of the Company. References to “\$”, “US\$”, or “dollars” are to US dollars, references to “C\$” are to Canadian dollars, references to “R\$” are to Brazilian Reals, and references to “€” are to Euro.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities and revenues and expenses of the Company’s subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, profits, and losses, including unrealized gains and losses have been eliminated on consolidation.

MERIDIAN MINING UK SOCIETAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

These consolidated financial statements include the following 100% held entities as December 31, 2022 and December 31, 2021:

Name of subsidiary:	Jurisdiction of Incorporation	Functional Currency
Ferrometals Management Services Canada Inc ¹	Canada	US\$
Meridian Mineração Jaburi S.A.	Brazil	R\$
Cancana Resources Corp (“Cancana”)	Canada	C\$
Rio Cabaçal Internacional Ltda	Brazil	R\$
Rio Cabaçal Mineração Ltda	Brazil	R\$

¹During the year ended December 31, 2022, Ferrometals Management Services Canada Inc was dissolved (effective date as October 30, 2022).

Accounting policies of subsidiaries are updated where necessary to ensure consistency with the policies adopted by the consolidated group. Acquisitions of subsidiaries under common control before and after the transaction are recorded at historical carrying value. Subsidiaries under common control are consolidated from the date of acquisition by the ultimate controlling entity.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The presentation currency of these consolidated financial statements is the United States dollar, which is also the functional currency of the Company.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates.

The results and financial position of entities in the group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill, for each statement of financial position presented are translated at the closing rate of the period reported;
- Income and expenses for each statement of loss and comprehensive loss presented are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in accumulated other comprehensive loss which is included in the reserves on the consolidated statement of financial position.

Financial instruments

Financial assets

Financial assets are recognized initially at fair value. On initial recognition, the Company classifies its financial assets as subsequently measured at either fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”), or at amortized cost.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income (loss) and other comprehensive income (loss) (“Statements of Income (Loss)”). Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the Statements of Income (Loss) in the period.

Financial assets at FVTOCI: Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in the Statements Income (Loss). Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive income (loss) in the period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost:

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. The Company uses the expected credit loss ("ECL") model for calculating impairment and recognizes expected credit losses as a loss allowance for assets measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12 month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

The amount of the loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and the impairment loss is recognized in the consolidated statements of loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of loss and other comprehensive income (loss).

The following table shows the classification of the Company's financial assets:

Financial asset	Classification
Cash	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and other comprehensive loss.

Amortized Cost - This category includes accounts payable and accrued liabilities, and loans payable, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss or other comprehensive income are recognized in the statement of operations and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities:

Financial liability	Classification
Accounts payable	Amortized cost
Warrant liability	FVTPL

MERIDIAN MINING UK SOCIETAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

Income (loss) Per Share (“EPS”)

Basic EPS is calculated using the weighted average number of shares outstanding during the year.

Diluted EPS is calculated using the treasury stock method for determining the dilutive effect of outstanding financial instruments issued under the Company’s various stock-based compensation plans. Under this method, the conversion of dilutive financial instruments and related issue of shares is assumed at the beginning of the period (or at the time of award, if later). The proceeds from the conversion or exercise of dilutive financial instruments plus future period compensation expenses are assumed to be used to purchase common shares at the average market price during the period, and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted EPS computation.

Cash

Cash includes cash that is readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Interest earned is included in other income on the consolidated statements of income (loss) and other comprehensive income (loss) and in investing activities on the consolidated statements of cash flows.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs directly related to the acquisition of exploration and evaluation assets are capitalized provided that the legal rights to explore the mineral properties are acquired or obtained. Exploration and evaluation expenditures are subsequently expensed as incurred. When the technical feasibility and commercial viability of a mineral resource have been demonstrated and a development decision by the board has been made, the capitalized costs of the related property are transferred to mining development costs and any subsequent expenditures are capitalized as mine development costs.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company assesses whether there is any indication of impairment. Indicators of impairment include, but are not limited to:

- The right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where indicators of impairment exist, an impairment test is required to determine if the carrying amount of the exploration and evaluation asset exceeds its estimated recoverable amount.

The estimated recoverable amount is the greater of fair value less costs of disposal (“FVLCD”), and value in use (“VIU”). If the exploration and evaluation asset is determined to be impaired, the exploration and evaluation asset is written down to the estimated recoverable amount.

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Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Property, plant and equipment is depreciated on a straight-line basis.

Vehicles	5 years
Machinery and Equipment	10 years
Office furniture, communication and computer equipment	10 years
Buildings	10 years

Depreciation commences when the asset is available for its intended use. The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amounts.

Impairment of non-financial assets

The carrying value of the Company's exploration and evaluation expenditures is assessed for impairment when indicators of such impairment exist. Indicators may include the loss of the right to explore in the area; the Company deciding not to continue exploring or incur substantial additional expenditures on the project; or it is determined that the carrying amount of the project is unlikely to be recovered by its development or sale. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated to determine the extent of the impairment loss, if any. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment is determined on an asset by asset basis, whenever possible. If it is not possible to determine impairment on an individual asset basis, then impairment is considered on the basis of a cash generating unit ("CGU"). CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged immediately to comprehensive loss within the consolidated statements of operations and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of operations and comprehensive loss.

Provisions

Provisions for legal claims and constructive obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance expense.

Environmental provisions

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. An environmental provision is recognized in the period when a legal or constructive obligation originates. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability where the impact of discounting is material. A corresponding increase to the carrying value of the related property is recorded and depreciated on the same basis as the related asset. The majority of the restoration and rehabilitation activities of the Company include the restoration and re-vegetation of extraction areas; as extraction sites are short-term in nature, these related costs are allocated to inventory in the period recognized. Where appropriate, the provision is accreted over time to its expected future settlement value.

Environmental provisions are reviewed at every reporting period. The liability is adjusted for changes in estimates in costs and timing of work to be performed. Changes in the discount rate and inflation rates are recognized each reporting period, with the changes recognized as additions to or reductions from the liability and a corresponding addition to or reduction from property, plant and equipment or profit and loss where the changes relate to closed mine sites. Changes in estimates of environmental provisions also include changes due to movement in the exchange rates. Any reduction to the asset may not exceed the carrying value of that asset.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods using a graded vesting model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

Current and deferred income taxes

Income tax expense 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. Current tax expense is the expected tax payable on 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 for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor 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 deferred tax asset will be recovered the deferred tax asset is not set up.

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In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Standards and amendments issued but not yet effective or adopted

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2022:

- a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2024.
- b) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective for annual periods beginning on or after January 1, 2023.
- c) Definition of Accounting Estimates (Amendments to IAS 8) effective for annual periods beginning on or after January 1, 2023.
- d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) effective for annual periods beginning on or after January 1, 2023.
- e) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) effective for annual periods beginning on or after January 1, 2024.
- f) Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely.

None of these pronouncements are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain estimates and judgments, such as those related to the recoverability of property, plant and equipment, and exploration and evaluation assets, deferred tax assets and liabilities, and disclosure of contingencies depend on subjective or complex judgments about matters that may be uncertain. Changes in those estimates could materially impact these consolidated financial statements.

a) Use of estimates:

Provisions and recognition of a liability for loss contingencies

Judgments are required to determine if a present obligation exists at the end of the reporting period by considering all available evidence, including the opinion of experts. The most significant provisions that require judgment to determine if a present obligation exists are contingent losses related to claims and asset retirement obligation. This includes an assessment of how to account for obligations based on the most recent closure plans and environmental regulations.

Income taxes

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with tax authorities in various jurisdictions and resolution of disputes arising from tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

b) Critical management judgments:

Recoverability of exploration and evaluation assets

The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and the success of future operations or dispositions. If a project does not prove viable, all unrecoverable costs associated with the project net of any related existing impairment provisions are written down to its recoverable amount.

Provisions and recognition of a liability for loss contingencies

Judgments are required to determine if a present obligation exists at the end of the reporting period by considering all available evidence, including the opinion of experts. The most significant provisions that require judgment to determine if a present obligation exists are contingent losses related to claims and asset retirement obligation. This includes an assessment of how to account for obligations based on the most recent closure plans and environmental regulations.

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4. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Vehicles, machinery, and equipment	Office furniture and other	Total
Balance, January 1, 2021	\$ 72,666	\$ 368,700	\$ 79,240	\$ 520,606
Additions	-	586,578	22,121	608,699
Foreign currency adjustment	(4,916)	(44,172)	(6,085)	(55,173)
Balance, December 31, 2021	\$ 67,750	\$ 911,106	\$ 95,276	\$ 1,074,132
Additions	-	96,523	91,050	187,573
Disposals	-	(137,690)	-	(137,690)
Foreign currency adjustment	3,646	50,070	2,845	56,561
Balance, December 31, 2022	\$ 71,396	\$ 920,009	\$ 189,171	\$ 1,180,576

Accumulated depreciation:	Land	Vehicles, machinery, and equipment	Office furniture and other	Total
Balance, January 1, 2021	\$ -	\$ (232,438)	\$ (67,467)	\$ (299,905)
Additions	-	(42,270)	(5,755)	(48,025)
Foreign currency adjustment	-	17,111	4,750	21,861
Balance, December 31, 2021	\$ -	\$ (257,597)	\$ (68,472)	\$ (326,069)
Additions	-	(89,502)	(43,664)	(133,166)
Disposals	-	137,690	-	137,690
Foreign currency adjustment	-	(15,073)	(2,591)	(17,664)
Balance, December 31, 2022	\$ -	\$ (224,482)	\$ (114,727)	\$ (339,209)

Net book value:	Land	Vehicles, machinery, and equipment	Office furniture and other	Total
December 31, 2021	\$ 67,750	\$ 653,509	\$ 26,804	\$ 748,063
December 31, 2022	\$ 71,396	\$ 695,527	\$ 74,444	\$ 841,367

5. EXPLORATION AND EVALUATION ASSETS

Summary of exploration and evaluation assets:

Balance as at January 1, 2021	\$	6,008,048
Additions:		
Option payment – Cabaçal project		275,000
Option payment – Mirante da Serra project		13,913
Acquisition of new areas – Cabaçal project		149,753
Acquisition of new areas – Espigão project		10,435
Foreign currency adjustment		(400,137)
Balance as at December 31, 2021	\$	6,057,012
Additions:		
Option agreement – Cabaçal project		1,750,000
Write down of exploration and evaluation assets		(108,773)
Foreign currency adjustment		322,395
Balance as at December 31, 2022	\$	8,020,634

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. Title to mineral properties is also subject to the laws and regulations in Brazil, which can be subject to change and may impact the Company's title to its mineral properties. Jaburi and Rio Cabaçal have investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Espigão Project, Rondônia

In connection with the loan settlements in 2020, the Company issued a net smelter return royalty to Sentient Global Resources Fund IV L.P. ("SGRFIV"), as follows:

- 3% on Espigão polymetallic;
- 3% Mirante da Serra manganese;
- 3% Ariqueles tin; and
- 100% of the royalty on each project can be bought back for \$2,000,000 for each project or \$6,000,000 for all 3 projects. The Company has determined that there is currently no value related to this buy-back feature.

During the year ended December 31, 2021, the Company acquired new areas adjacent to the Espigão Project through the Brazilian National Mining Agency's ("ANM", *Agência Nacional de Mineração*) auction process for a total of \$10,435.

In addition, the Company reviewed the Espigão project and decided to drop certain mineral rights that were within the Cinta Larga Buffer Zone. The amount written-off in December 31, 2022 was \$ 86,469.

Mirante da Serra, Rondônia

On July 24, 2019 the Company entered into an option agreement to acquire a 100% interest in the Mirante da Serra manganese project, in Rondônia, Brazil. Following a sequential process related to project and administrative milestone achievements, the Company may, at its election, acquire the project for a cumulative consideration of 1,140,000 Brazilian reals (approximately \$215,555).

During the year ended December 31, 2022, the Company terminated the Mirante da Serra agreement and wrote down the amount of \$22,304 that was capitalized related to the project.

Cabaçal Project, Mato Grosso

On November 6, 2020, the Company entered into a definitive Purchase Agreement to acquire a 100% beneficial interest in the Cabaçal Copper-Gold Project (the "Cabaçal") in the state of Mato Grosso, Brazil, (the "Cabaçal Agreement") for a total consideration of \$8,750,000 plus, at the option of the vendors, 4,500,000 Meridian common shares or C\$ 1,350,000, from two private Brazilian companies, Prometalica Mineração Ltda. And IMS Engenharia Mineral Ltda (the "Vendors"). During the year ended December 31, 2021, the Company changed the terms of the second payments and assigned the Purchase Agreement related to the Cabaçal project to its subsidiary Rio Cabaçal and, after the year end, changed the terms of the third payment.

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The Company is required to make staged payments based on milestones achieved as follows:

Amounts paid/payable as at December 31, 2022

- \$25,000 payable within 5 days of the execution of the option agreement (paid);
- \$275,000 payable by October 15, 2021, as the transfers of the mineral rights to Rio Cabaçal Mineração Ltda were filed with ANM (paid); and
- \$1,750,000 payable on August 1, 2023, unless accelerated upon completion of an equity financing for gross proceeds of at least \$2,500,000, provided completion of successful drilling program and historical geophysics database validation, as well as the obtaining of certain permits and the access to the surface rights overlapping with the Cabaçal mineral rights (payable as at December 31, 2022 - see details regarding payment below).

Amounts not yet triggered

- 1,000,000 common shares in the capital of the Company or C\$300,000, at the option of the Vendors, within 6 months of the third payment and subject to completion of technical report on the estimate of the resource in accordance with National Instrument 43-101;
- \$1,850,000 plus, at the option of the vendors, 1,500,000 common shares in the capital of the Company or C\$450,000, within 9 months of the fourth payment and subject to the successful completion of the positive economic feasibility study;
- \$2,250,000 payable plus, at the option of the vendors, 2,500,000 common shares in the capital of the Company or C\$600,000, up to 30 days after the Installation License (“LI”) of the Cabaçal Project plant is issued by the competent authorities; and
- \$2,600,000 payable within 45 days after the signature by the Company of the definitive financing contracts for the construction of the Cabaçal Project plant.

On December 30, 2022, the Company closed a brokered private placement with gross proceeds of \$4,320,372 triggering the third payment of \$1,750,000 of the Cabaçal Agreement. As at December 31, 2022, the payable amount has been recognized by the Company in accounts payable and accrued liabilities. The Cabaçal Agreement contemplates that payments can be withheld by the Company in Indemnification Escrow Fund (the “Escrow Fund”) to guarantee the payment of any losses in connection with certain Vendors’ obligations. Also, at Company’s discretion, the Escrow Fund balance can be used to pay certain Vendors’ obligations. Subsequent to the year ended December 31, 2022, the Company and the Vendors started the process of setting the Escrow Fund and the Company made payments of approximately \$770,000 on behalf of the Vendors that have been deducted from the third payment amount.

There is a historic 1.5% NSR associated with part of the Santa Helena project, which is part of Cabaçal project. Cabaçal is located within the buffer zone of Brazil’s frontier (“Border Buffer Zone”). The Border Buffer Zone is a political protection zone and not an economic exclusion zone. The terms of the Cabaçal Agreement gives the Company the option, under certain conditions, to return the mineral rights to the Vendors on a “as is” basis, without any obligation to making any future payments and to complying with other obligations.

During the year ended December 31, 2021, the Company acquired new areas adjacent to the Cabaçal Project through the ANM auction process for a total of \$149,753.

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Trade payables	\$ 856,299	\$ 612,795
Option agreement – Cabaçal project (Note 5)	1,750,000	-
Payroll liabilities	202,428	146,130
Other liabilities	<u>59,450</u>	<u>154,028</u>
Total	\$ 2,868,177	\$ 912,953

7. TAXES AND FEES PAYABLE

	December 31, 2022	December 31, 2021
Current:		
Taxes and fees payable (i)	\$ 51,638	\$ 73,711
Withholding taxes and other taxes related to debt restructuring (ii)	54,036	704,990
Income tax payable	141,287	-
Other	<u>46,571</u>	<u>65,105</u>
	293,532	843,806
Non-Current:		
Taxes and fees payable (i)	<u>56,668</u>	<u>95,652</u>
Total	\$ 350,200	\$ 939,458

(i) *Restructuring of Brazilian taxes and fees liabilities*

During the year ended December 31, 2020, the Company enrolled in an instalment payment program on certain unpaid taxes and fees related to the year ended December 31, 2019. Under the program, the Company will pay the outstanding taxes and fees, plus accrued penalties, and interests, in equal instalments over a period of 36 to 60 months.

The terms of each instalment program can be summarized as follow:

- a) Brazilian social security taxes. The total taxes payable of \$105,240 will be repaid in equal monthly instalments over 26 months, adjusted for inflation.
- b) Brazilian ANM fees. The total fees payable of \$3,066 will be repaid in equal monthly instalments over 1 month, adjusted for inflation.

As a result, the Company classified as long-term liabilities the amount of \$56,668 (December 31, 2021 - \$95,652).

(ii) *Withholding taxes and other taxes related to debt facilities*

During the year ended December 31, 2022, the Company settled the amounts related to withholding taxes in respect of the debt restructuring which occurred in the year ended December 31, 2020. On April 5, 2022 the Company settled the amount of \$376,140 upon issuance of common shares (note 9) and \$230,927 was settled in cash.

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8. PROVISIONS

	Environmental provision (i)	Other provisions (ii)	Total
Balance, January 1, 2021	\$ 330,189	\$ 250,179	\$ 580,368
Spent during the year	(320,949)	(11,131)	(332,080)
Accretion	9,169	-	9,169
Additions (reversals) during the year	270,922	18,874	289,796
Foreign currency adjustment	(20,997)	(17,178)	(38,175)
Balance, December 31, 2021	268,334	240,744	509,078
Spent during the year	(158,193)	(45,621)	(203,814)
Accretion	6,264	-	6,264
Additions (reversals) during the year	34,214	35,150	69,364
Foreign currency adjustment	17,394	13,220	30,614
Balance, December 31, 2022	\$ 168,013	\$ 243,493	\$ 411,506
Represented by:			
Current portion	\$ 106,113	\$ 243,493	\$ 349,606
Long-term portion	\$ 61,900	\$ -	\$ 61,900

(i) *Environmental provision*

Pursuant to Jaburi's operations in Brazil, the Company is required to rehabilitate its plant and alluvial mining sites, as well as remove all plant and equipment. A provision has been recognized for the requirements to rehabilitate these sites environmentally and decommission the plant and equipment. Environmental liabilities required to rehabilitate sites are considered short-term in nature and are included in care and maintenance expenses in the period recognized. Long-term environmental liabilities related to decommissioning the plants are recorded at the present value of the estimated costs, assuming nominal risk-free discount rates of 9.25% (2021 – 7.92%) and are expected to be incurred up to the end of 2024.

(ii) *Other provisions*

Various legal and regulatory matters are outstanding from time to time due to the nature of the Company's operations. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such charges occur. As at December 31, 2022, the Company has recognized a provision of \$243,493 (December 31, 2021 - \$240,744) representing management's best estimates of expenditures required to settle present obligations. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates.

9. SHAREHOLDERS' EQUITY

Authorized Capital

As at December 31, 2022 the Company had authorized unlimited number of common shares with a par value of €0.01.

Issued Capital

The Company has 202,833,761 (December 31, 2021 - 157,110,457) issued and fully paid shares.

Share capital

Share capital comprises the amount subscribed for at the par value.

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Share premium

Share premium comprises the amount subscribed for share capital in excess of par value.

Shares issued

During the year ended December 31, 2022, the Company issued:

- 20,815,101 common shares for cash proceeds of \$2,500,988 pursuant to the exercise of warrants.
- 1,380,864 common shares for cash proceeds of \$130,911 pursuant to the exercise of agent's compensation units and agent's compensation options warrants; the Company reallocated \$42,872 of warrant reserve to share capital and share premium in connection with the exercise of these agent's compensation units.
- 397,732 common shares for cash proceeds of \$135,605 pursuant to the exercise of stock options at the exercise price of C\$0.44.
- 16,750,142 common shares for gross cash proceeds of \$4,320,372 pursuant to the private placement at the share price of C\$0.35 per common share.

Debt restructuring transactions:

The Company also issued the following shares during the year ended December 31, 2022:

- 5,869,670 common shares on March 29, 2022 to SGRFIV settling the Consolidated Facility agreement balance of C\$14,674,177 before its maturity. During the year ended December 31, 2020, the Company concluded the debt restructure transaction with SGRFIV which resulted in the reclassification of the balance outstanding of the Consolidated Facility agreement to other reserves in equity. Upon issuance of the common shares on March 29, 2022, the Company reclassified the amount of \$771,849 equivalent of the fair value of the Consolidated Facility agreement on December 21, 2020 from other reserves to share capital and share premium.
- 509,795 common shares on April 5, 2022 to HM Revenue & Customs ("HMRC" - United Kingdom tax authority) as payment of the withholding taxes obligation related to the Consolidated Facility agreement with SGRFIV. Upon issuance of the common shares on April 5, 2022, the Company settled the amount of \$376,139.

Private Placement

On December 30, 2022, the Company completed a brokered private placement of 16,750,142 common shares at a subscription price of C\$0.35 per common share, for aggregate gross proceeds of \$4,320,372 (C\$5,862,550). The Company paid 6% agent's cash commission of \$258,450 (C\$350,703) and issued 501,004 agent's compensation options, representing 3% of the common shares issued under the private placement, valued at \$52,773 (C\$71,487). Each agent's compensation option is exercisable for one common share at an exercise price of C\$0.35, expiring December 30, 2024. The value of the agent's compensation option was determined using Black-Scholes pricing model. The assumptions used to calculate the fair value of the agent's compensation options were: an expected life of 2 years; annualized volatility of 75.78%; a risk free interest rate of 3.41%; and zero expected dividend yield.

The Company incurred other share issuance costs of \$229,446 on this private placement. Total transactions costs incurred in this private placement, allocated to share premium, was \$540,669.

During the year ended December 31, 2021, the Company issued:

- 35,445,065 common shares for cash proceeds of \$3,766,393 pursuant to the exercise of warrants.
- 2,904,680 common shares for cash proceeds of \$214,447 pursuant to the exercise of agent's compensation units and agent's compensation options warrants; the Company reallocated \$103,127 of warrant reserve to share capital and share premium in connection with the exercise of these agent's compensation units.
- 137,287 common shares for cash proceeds of \$9,933 pursuant to the exercise of stock options at the exercise prices of C\$0.07 and C\$0.10 per common share.
- 14,835,000 common shares for cash proceeds of \$8,402,140 pursuant to the private placement at the share price of C\$0.70 per common share.

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Private Placement

On October 19, 2021, the Company completed a brokered private placement of 14,835,000 common shares at a subscription price of C\$0.70 per common share, for aggregate gross proceeds of \$8,402,140 (C\$10,384,500). The Company incurred other share issuance costs of \$397,499 on this private placement.

Reserves - Stock options and warrants

In June 2022, the Company's shareholders approved the adoption of a new omnibus equity incentive plan (the "Omnibus Plan") to replace and supersede the Company's stock option plan (the "Previous Plan"). All outstanding stock options granted under the Previous Plan shall continue to be outstanding as stock options granted under and subject to the terms of the Omnibus Plan. Under the terms of the Omnibus Plan, the Company may grant share-based compensation in the form of stock options, restricted share units ("RSU") or deferred share units ("DSU") (collectively the "Awards") to directors, officers, employees, and consultants of the Company. The maximum number of shares reserved for issuance at any time pursuant to Awards granted under the Omnibus Plan shall be equal to 10% of the Company's outstanding shares. The maximum number of shares available for issuance pursuant to RSUs and DSUs granted under the Omnibus Plan shall be, in the aggregate, equal to 2% of the Company's outstanding shares. The Awards can be granted for a maximum term of 10 years and vest as determined by the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding January 1, 2021	57,489,916	C\$ 0.15	7,074,666	C\$ 0.09
Granted	-	-	7,794,717	0.82
Expired / cancelled	-	-	(30,000)	0.45
Exercised (i)	<u>(35,445,065)</u>	0.11	<u>(137,287)</u>	0.09
Outstanding December 31, 2021	22,044,851	C\$ 0.17	14,702,096	C\$ 0.48
Granted	-	-	565,000	1.00
Expired / cancelled	(1,229,750)	0.30	(39,079)	0.77
Exercised (i)	<u>(20,815,101)</u>	0.16	<u>(397,732)</u>	0.44
Outstanding December 31, 2022	-	C\$ -	14,830,285	C\$ 0.50
Number currently exercisable	-	C\$ -	14,530,285	C\$ 0.49

(i) During the year ended December 31, 2022, the weighted average share price at the date of the stock option exercise was C\$0.78 (2021 – C\$1.10)

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As at December 31, 2022 the following incentive stock options, and agent's compensation options were outstanding:

	Number of options and warrants outstanding	Exercise Price (C\$)	Expiry Date	Remaining Contractual Life (years)
Stock options				
	6,291,631	0.07	October 22, 2024	1.81
	248,016	0.10	June 2, 2025	2.42
	3,285,000	0.45	February 26, 2026	3.16
	4,440,638	1.10	October 27, 2026	3.82
	100,000	1.10	February 6, 2027	4.10
	75,000	1.10	February 24, 2027	4.15
	390,000	0.95	May 17, 2027	4.38
Agent's compensation options	501,004 ⁽¹⁾	0.35	December 30, 2024	2.00

(1) Issued in connection with the brokered private placement closed on December 30, 2022.

On February 6, 2022, the Company granted 100,000 stock options to a consultant that vested immediately with an exercise price of C\$1.10 per common share for a term of five years, until February 6, 2027.

On February 24, 2022, the Company granted 75,000 stock options to the Company's Corporate Secretary that vested immediately with an exercise price of C\$1.10 per common share for a term of five years, until February 24, 2027.

On May 17, 2022, the Company granted 390,000 stock options to a consultant that vested immediately with an exercise price of C\$0.95 per common share for a term of five years, until May 17, 2027.

Total share-based payments recognized in the Statement of loss and other comprehensive income (loss) for the year ended December 31, 2022 was \$242,421 for incentive options granted and vested.

In October 2021, the Company granted 4,459,717 options that vested immediately to directors, officers, employees, advisors, and consultants of the Company. The stock options are exercisable for a term of five years at an exercise price of C\$1.10 per common share under the term of the Company's stock option plan.

In February 2021, the Company granted 3,335,000 options that vested immediately to directors, officers, employees, advisors, and consultants of the Company. The stock options are exercisable for a term of five years at an exercise price of C\$ 0.45 per common share under the term of the Company's stock option plan.

Total share-based payments recognized in the statement of loss for the year ended December 31, 2021, was \$3,027,640 for incentive options granted and vested.

The following assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the years ended on December 31, 2022 and December 31, 2021:

	Options granted in 2022	Options granted in 2021
Risk-free interest rate	1.74% - 2.84%	0.88% - 1.46%
Expected life of options	5 years	5 years
Expected annualized volatility	85.12% - 88.06%	88.49% - 93.91%
Dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	0.0%

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Warrants – Derivative Liability

The Company’s detachable warrants related to the units issued in the July 15, 2020 and December 21, 2020 private placements have an exercise price denominated in foreign currency (Canadian dollars) and were classified and accounted for as a derivative liability at fair value with changes in fair value included in profit or loss. Warrants which were set to expire on July 15, 2022 were fully exercised, and warrants with a December 21, 2022 expiry date were partially exercised.

During the year ended December 31, 2022, there was a derivative gain of \$10,447,198 (2021 - loss of \$28,564,576) from the mark-to-market measurement of the warrant liability. During the year ended December 31, 2022, the weighted average assumptions used in the Black-Scholes pricing model to calculate the fair value of the warrants were: an expected life of 0.26 years; annualized volatility of 74.32%; a risk-free interest rate of 2.49%; and zero expected dividend yield.

Income (loss) per share (“EPS”):

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Year ended December 31,	
	2022	2021
Numerator		
Income (loss) for the year	\$ 800,108	(37,582,080)
Effect of dilutive securities	(10,447,198)	-
	\$ (9,647,090)	(37,582,080)
Denominator		
For basic – weighted average number of shares outstanding	172,893,105	126,057,471
Effect of dilutive securities	19,187,282	-
For diluted – adjusted weighted average number of the shares outstanding	192,080,387	126,057,471
Earnings (loss) Per Share		
Basic	0.00	(0.30)
Diluted	(0.05)	(0.30)

For the year ended December 31, 2022, 4,705,638 stock options were not included in the calculation of diluted earnings per share as they are out of the money. For the year ended December 31, 2021, 14,402,096 stock options, 22,044,851 warrants and 1,095,441 compensation options and compensation option warrants were not included in the calculation of diluted earnings per share as the Company was in a loss position and thus any impact would be anti-dilutive.

10. RELATED PARTIES

a) Key management compensation

	2022	2021
Salaries, consulting and directors’ fees	\$ 994,918	\$ 777,743
Share-based compensation	-	1,858,577

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b) Other related party transactions

As at December 31, 2022 the Company had the following balances due to/from entities related by way of common directors and/or management. These amounts, unless otherwise noted, were unsecured and non-interest bearing.

	December 31, 2022	December 31, 2021
Other liabilities - management and board fees	\$ 192,084	\$ 59,450

11. EXPLORATION AND EVALUATION EXPENSES

	2022	2021
Assays	\$ 552,049	\$ 295,994
Consulting – geological and other	639,071	455,847
Drilling	1,365,391	1,091,941
Equipment and Vehicle expenses	513,394	314,349
Environmental studies	225,117	-
Fees and licenses	6,164	44,139
Field expenditures and road construction	456,847	370,455
Payroll	1,057,962	701,166
Room and boarding	284,323	131,247
Other	58,890	128,056
Total	\$ 5,159,208	\$ 3,533,194

12. GENERAL AND ADMINISTRATION EXPENSES

	2022	2021
Investor relations and shareholder communication	217,695	456,836
Insurance	164,922	116,847
Management and director fees (Note 10)	825,022	591,142
Office and miscellaneous	330,612	133,080
Payroll	661,750	355,248
Rent	72,618	17,658
Subscriptions and licenses	47,461	34,414
Telephone and information technology	65,686	56,381
Travel	184,888	66,942
Other	168,000	115,215
Total	\$ 2,738,654	\$ 1,943,763

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13. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Income (loss) before income taxes	\$ 941,395	\$ (37,582,080)
Statutory tax rate:	19%	19%
Expected income tax (recovery)	\$ 178,865	\$ (7,140,595)
Foreign tax rate differential	(903,000)	(824,000)
Statutory permanent differences	114,000	1,673,000
Losses and deductible temporary differences not recognized	751,422	6,291,595
Income tax expense	\$ 141,287	\$ -

The significant components of deferred tax assets and liabilities as at year-end are as follows:

	December 31, 2022	December 31, 2021
Exploration and evaluation assets	\$ (83,000)	\$ (113,000)
Property, plant and equipment and other	-	-
Loss carryforwards	83,000	113,000
Net deferred tax assets (liabilities)	\$ -	\$ -

The significant components of the Company's deductible temporary differences, and unused tax losses that have not been recognized on the statement of financial position are as follows:

	December 31, 2022	December 31, 2021
Temporary differences:		
Environmental provision	\$ 168,000	\$ 268,000
Loss carry forwards	60,558,000	60,466,000
Provisions	740,000	703,000
Property, Plant & Equipment	1,632,000	1,832,000

Loss carryforwards consist of Canadian tax losses of \$3,174,000, which expire between 2036 and 2042, United Kingdom loss of \$26,976,000 which have no expiry date and Brazilian tax losses of \$30,408,000, which have no expiry date, however only 30% of the taxable income in one year can be applied against the loss carry-forwarded balance. The ability of the Company to access unrecognized tax losses and other deductions in Canada has been restricted as a result of the 2016 acquisition of control of Cancana. Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity totaling \$11,623,412 (2021 – deficit of \$3,715,652). The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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The Company manages the capital structure and makes adjustments as a result of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

The Company is required to disclose the fair value of each class of financial assets and liabilities in the financial statements. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 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 the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and accounts payable approximate fair value due to the short-term nature of the financial instruments. Warrant liability was measured at fair value based on Level 2 inputs.

Risk management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include, credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash. The Company deposits cash with high credit quality financial institutions as determined by rating agencies.

Currency risk

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in US dollars, Canadian dollars, Brazilian reals, and Euro. Hence, any fluctuation of the US dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the functional currency of the applicable company:

As at December 31, 2022	US dollar	Canadian dollar	Brazilian Real
Cash	\$ 50,523	\$ 6,066,485	\$ 57,883
Prepaid expenses and other assets	153,657	19,768	42,978
Total Assets	204,180	6,086,253	100,861
Accounts payable and accrued liabilities	(2,257,514)	(110,233)	(500,430)
Net Assets	\$ (2,053,334)	\$ 5,976,020	\$ (399,569)

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As at December 31, 2021	US dollar	Canadian dollar	Brazilian Real
Cash	\$ 22,785	\$ 8,830,498	\$ 206,515
Prepaid expenses and other assets	210,487	16,635	94,633
Total Assets	233,272	8,847,133	301,148
Accounts payable and accrued liabilities	(348,103)	(14,510)	(550,341)
Net Assets	\$ (114,831)	\$ 8,832,623	\$ (249,193)

As at December 31, 2022, fluctuations of +/- 10% in the US dollar, relative to those foreign currencies, would impact the Company's consolidated income for the year ended December 31, 2022 by approximately \$557,645. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately \$618,711, \$61,066 and \$557,645, respectively, as at December 31, 2022.

The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange.

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. None of the Company's debt is subject to floating interest rates. The Company does not believe its interest rate risk is significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Company has historically relied upon equity financings to maintain an adequate level of cash to satisfy its capital requirements and will continue to depend heavily upon equity financings. All of the Company's accounts payable and accrued liabilities are subject to normal trade terms. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company will need additional capital in the future to finance ongoing exploration of its properties, such capital is expected to be derived from the completion of equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

As at December 31, 2022, the Company's liabilities that have contractual maturities are as follows:

	December 31, 2022	<1 Year	2 Years	Total
Accounts payable and accrued liabilities	\$ 2,868,177	\$ -	\$ -	\$ 2,868,177
Provisions	349,606	61,900	-	411,506
Taxes and fees payable	293,532	48,573	8,095	350,200
	\$ 3,511,315	\$ 110,473	\$ 8,095	\$ 3,629,883

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The fair value of the Company's loans payable is approximated by the carrying values as the contractual interest rates are comparable to current market interest rates.

16. SEGMENTED INFORMATION

A significant portion of the Company's operations are located in Brazil. From time to time various legal, labour, The Company operates in one operating segment, being the acquisition, exploration and development of exploration and evaluation properties in Brazil. Accordingly, the chief decision makers consider Meridian to currently have one segment and, therefore, segmented information is not presented.

17. SUBSEQUENT EVENTS

On January 30, 2023, the Company announced the grant of 3,225,500 stock options to directors, officers, employees, advisors, and consultants that vested immediately with an exercise price of C\$0.50 per common share for a term of five years, until January 25, 2028.