



MERIDIAN MINING UK Societas
(formerly Meridian Mining S.E.)
(Expressed in United States Dollars)

Annual report and financial statements

Registered number SE000111

31 December 2020

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Strategic Report

Description of Business

Meridian Mining UK Societas, formerly Meridian Mining S.E., (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. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol MNO. The Company is currently engaged in the exploration, development of mineral deposits in Brazil, through its subsidiaries, Meridian Mineração Jaburi S.A. (“Jaburi”) and recently incorporated Cabaçal Mineração Ltda. On December 31, 2020, the Company was converted under Articles AA1 and AAA1 of the EC Regulation on the European Public Limited-Liability company (Amended Etc.) (Eu Exit) Regulations 2018 to a United Kingdom Societas under the name of Meridian Mining UK Societas. The Company’s head office is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom.

In December 2019, the Company put the Espigão d’Oeste Manganese operation in Rondônia, Brazil, on temporary care and maintenance (“C&M”), due to the continued depressed world manganese ore prices and refocused on the advancement of the exploration on the Espigão polymetallic, Mirante da Serra manganese and newly acquired Cabaçal exploration projects.

Business Overview

Meridian is a junior exploration and resource development company with projects in Brazil. The Company has signed purchase agreement to acquire a 100% beneficial interest in the Cabaçal copper (“Cu”) - gold (“Au”) Project (“Cabaçal”), in the state of Mato Grosso, Central West Brazil. The Company has separately secured an additional licence at the southern limit of the Project’s Volcanogenic Massive Sulphide (“VMS”) belt, increasing the tenure from 18,462 to 28,324 Hectares. The Company also has three projects in the State of Rondônia Espigão Cu - Au polymetallic (“Espigão”), Mirante da Serra (“Mirante”) – manganese (“Mn”) and Ariqueemes - tin (“Sn”) in the north of Brazil; together (“the Portfolio”). The Company formally operated Espigão as a manganese project supplying high quality oxide concentrates. The Company’s manganese operation has been on care and maintenance since December 2019.

Strategy

Meridian’s vision is to create sustainable value for its stakeholders by discovering and developing high quality resource assets. The Company is committed to being a responsible steward of the environment and building collaborative partnerships with communities, governments and all other stakeholders for mutual success.

During the 4th Quarter 2019, the Company’s Board decided that the long-term growth of the Company was in the exploration of resource development potential of the portfolio. The Company’s long term focus is on its Cu-Au projects and will seek JV partner or a buyer for the Ariqueemes project. The Company is currently exploring strategic alternatives for its manganese production facilities to unlock shareholder value.

Outlook

Our priorities are to focus on the Cu – Au potential of the portfolio, with a focus on resource development and exploration at Cabaçal and Espigão. Resource development activities at the sediment hosted Mirante da Serra manganese project are pending licence approvals.

Performance Review and KPIs

The review should be read in conjunction with the audited financial statements and notes.

The Board assesses the performance of the Company and its senior management by evaluating, on a regular basis, the level of cash holdings of the Company, management of costs, capital expenditures and sales compared with an annual approved plan.

Financial key performance indicators

The following table provides a brief summary of the Group's annual financial operations. For more detailed information, please refer to the financial statements:

	Year Ended December 31, 2020	Year Ended December 31, 2019 <i>Restated (Note 22)</i>	Year Ended December 31, 2018 <i>Restated (Note 22)</i>
Revenues	\$ 241,019	\$ 6,262,477	\$ 10,222,287
Net loss before income taxes	(7,555,259)	(17,784,173)	11,634,517
Net loss	(7,532,259)	(17,803,173)	11,634,517
Total assets	10,939,003	10,060,094	20,850,142
Working capital (deficit)	3,361,274	(26,157,347)	1,150,841

Financial Performance highlights

- During year ended December 31, 2020 net loss was significantly lower, mainly due to decrease in in general expenditures during the year as the manganese operation was put on care and maintenance in December 2019 and due to focus on cost savings initiatives.
- During year ended December 31, 2020 working capital was positively impacted by the settlements of the loan facilities and closing of the private placements in July and December 2020.

Further details regarding financial performance during 2020 are set out below on section Results of Operation.

Quarterly Financial Summary:

	Qtr 4 Three Months Ended December 31, 2020 \$	Qtr 3 Three Months Ended September 30, 2020 <i>Restated (Note 22)</i> \$	Qtr 2 Three Months Ended June 30, 2020 <i>Restated (Note 22)</i> \$	Qtr 1 Three Months Ended March 31, 2020 <i>Restated (Note 22)</i> \$
<i>Revenues</i>	-	-	107,140	146,481
<i>Net Loss for the period</i>	1,926,392	(7,599,450)	(191,554)	(1,690,647)
<i>Total Comprehensive Income (Loss)</i>	2,360,403	(7,815,017)	(549,103)	(3,088,512)
<i>Net Loss per share and fully diluted loss per share</i>	0.02	(0.08)	(0.00)	(0.02)

	Qtr 4 Three Months Ended December 31, 2019 <i>Restated (Note 22)</i> \$	Qtr 3 Three Months Ended September 30, 2019 <i>Restated (Note 22)</i> \$	Qtr 2 Three Months Ended June 30, 2019 <i>Restated (Note 22)</i> \$	Qtr 1 Three Months Ended March 31, 2019 <i>Restated (Note 22)</i> \$
<i>Revenues</i>	2,481,729	1,755,322	1,103,534	921,892
<i>Net Loss for the period</i>	(12,366,049)	(1,983,122)	(1,645,263)	(1,789,739)
<i>Total Comprehensive Income (Loss)</i>	(11,846,958)	(3,205,066)	(1,438,381)	(1,994,187)
<i>Net Loss per share and fully diluted loss per share</i>	(0.07)	(0.02)	(0.01)	(0.01)

Results of Operations

The consolidated financial statements reflect the financial performance of the Group for the year ended December 31, 2020. During year ended December 31, 2020, the Group incurred a comprehensive loss of \$9,092,228 as compared to a comprehensive loss of \$18,484,592 for the year ended December 31, 2019.

Revenues during the year decreased to \$241,019, from \$6,262,477 during the comparative period ended December 31, 2019. The revenues are related to the sale of the remaining inventory and the decrease was due to the decision made in early December 2019 to put the manganese production in Espigão do Oeste in care and maintenance.

Production costs decreased to \$253,158 from \$7,493,996 during the comparative period. Operating expenses totalled \$2,554,026 for the year ended December 31, 2020 compared to \$14,332,709 for the year ended December 31, 2019. The main factors for these reductions in costs and expenses were related to the manganese plants being put on care and maintenance in December 2019 as well as the Group's internal restructuring.

Operating expenses with significant balances or significant movements include:

- Exploration & evaluation costs of \$443,703 (2019 - \$1,144,819). The decrease of \$701,116 (61%) is due to the reduction of exploration activities in 2020. During the year ended December 31, 2020, the Company focused its efforts on performing additional modeling of the Maxwell plate conductors from airborne surveys and also performed a soil survey program on the Espigão manganese projects;
- General and administration costs of \$1,218,742 (2019 - \$1,855,222). Total general and administration costs decreased by \$ (636,480) (34%) over the comparative period. The decrease in activities was due to a reduction of the exploration program and the fact that the Company did not produce any manganese;
- Community relations of \$258 (2019 - \$179,127). The decrease of \$178,869 (100%) is related to the decision in December 2019 to put the Espigão do Oeste manganese production on care and maintenance;
- Professional fees of \$592,370 (2019 - \$374,543). Professional fees increased by \$217,827 (58%) mainly due to additional costs related to the debt restructure transaction;
- Share based compensation of \$49,266 (2019 - \$447,890). The Company granted 700,000 options that vested immediately to an officer.
- Care and maintenance costs increased to \$393,377 (2019 - \$Nil). The increase was due to the Company's decision to put the manganese plants on care and maintenance, as discussed above;
- Finance expenses decreased by \$1,801,737 (75%) to \$607,649 (2019 - \$2,409,384) due to the debt settlement of the loan facilities. See details in the Debt facilities sections below; and
- Mark-to-market revaluation of warrants loss increase by \$3,970,703 to \$3,940,613 (2019 - \$(30,090)) due to the to fair market value revaluation relates to the share purchase warrants granted in the private placements closed in the year.

In early December 2019, the Company announced that due to the continued depressed world manganese ore prices, production from the Company's Espigão do Oeste Manganese operation in Rondônia, Brazil, would immediately be put on temporary care and maintenance. Following the decision to put the plant on care and maintenance the Company determined that the Goodwill and certain plant and equipment related to the manganese operation were impaired. The Company recorded the following impairments and write-offs relating to the change:

- Impairment of Property, Plant and Equipment and goodwill of \$nil (2019 - \$8,939,770). In 2019, the Company did an assessment of all plant and equipment and goodwill related to the mining operation and recorded an impairment write-down of \$8,021,426 and \$918,344, respectively; and
- Write-off of tax credits of \$nil (2019 - \$946,172). This was due to uncertainty of recovery as the Company would not have sales to recover the tax-credits.

The results for the year ended December 31, 2020 included other comprehensive loss of \$1,559,969 (2019 - \$681,419) comprised of foreign currency translation, which related primarily to the translation of the Company's Brazilian operation.

Non-financial key performance indicators

The Board establishes targets to maintain and improve the operational performance of the Company. These targets primarily focus on production, exploration, environment, corporate structure and sales, areas which Board considers important for the short and long-term success of the Company and its operations.

Operational Highlights

- In response to the COVID-19 virus the Company has taken the recommended preventative precautions according to Brazilian guidelines and continues to monitor the situation. There has been no outbreak of Covid-19 at the Company's facilities and the Company continues to monitor the situation on a daily basis. See further discussion in the Risk Factors section below.

Exploration Highlights

- On January 8, 2020 the Company released an update on the Jaburi area, where a trial mining licence was approved for the production of up to 30,000t of Manganese oxide concentrate per annum, valid until September 13, 2021. The Jaburi area has produced amongst the project's best quality concentrates. The trial mining licence provides an option to recommence production from sources close to the existing plants, including newly delineated showings that had not previously been mined.
- On January 22, 2020 the Company released an update on its Ariqueles Exploration Project, following release of new data and interpretations by the Companhia De Pesquisa De Recursos Minerais ("CPRM") – (Geological service of Brazil). The CPRM review highlighted geophysical signatures in magnetic and radiometric data consistent with the presence of tin-bearing granites within the Company's project area. Broad-spaced stream-sediment sampling also highlighted the tin and gold anomalies requiring further evaluation.
- On January 23, 2020 the Company released a review of the 2015 aerial electromagnetic ("EM") Maxwell conductive plate models and their relationship to target corridors of the Espigão Copper-Gold polymetallic project. Nine modelled EM show spatial relations to polymetallic soil anomalies associated with showings of Mn and Fe oxides. These represent targets to test at depth for zoned polymetallic systems. Additional Maxwell Plate modelling remains to be conducted for other EM anomaly clusters.
- On May 18, 2020 the Company reported on the results of technical reviews on its stream sediment data, in relation to the Company's renewed exploration focus on Cu-Au polymetallic mineralization. The Company has completed a review of both its stream sediment and soil sampling data, and assays from drill programs of the previous manganese operation. The results strengthen the Company's belief that the Espigão Project is prospective for a zoned Cu-Au system.
- On July 24, 2020, the Company released high-grade assay results from manganese oxides collected for market scoping at the Mirante Mn Project. Samples were split from a 110kg batch of manganese oxide concentrate, with duplicate samples sent to historical and interested clients of the Mirante mineralization. The Mn oxide concentrates returned an average grade of 58.2% MnO (45.1% Mn) - higher than the Tianjin benchmark of 44% Mn. All concentrates returned below detection limits for lead (< 0.01% PbO), consistent with levels anticipated.
- On July 28, 2020, the Company announced the exploration programs would commence in August at the Espigão Project, targeting Copper-Gold mineralization and capitalizing on an advanced aerial geophysical dataset and refine and prioritize targets for drilling. Campaigns will initially involve: 1) extension of soil surveys along corridors which have previously lacked gold and multi-element soil geochemistry; 2) expansion of the reconnaissance stream-sediment pan concentrate database; and 3) additional modelling of Maxwell plate conductors from airborne surveys. The northern structural corridor (Eduardo Mendes - Califórnia Trend; Calça Frouxa Trend) will be prioritized for initial soil surveys.

- On September 30, 2020, the Company reported that initial results from a 3.4 by 1.6km block from the Espigão soil survey program had returned positive base and precious and soil anomalies which remain open. An extensive suite of pathfinder elements coupled with the base and precious metal anomalies are consistent with an IOCG target model. New modelling of the 2015 HeliTEM survey data has outlined a subvertical bedrock Maxwell plate conductor, 500m vertical extent and 750m in strike length associated with the Eduardo Mendes prospect. Evaluation of the geophysical data is ongoing.
- On November 11, 2020, Meridian announced that it has advanced the program to identify future priority areas for the planned confirmation infill and extensional drill program over the historical Cabaçal Cu-Au mine. An open southern zone of high-grade Cu-Au-Ag-Zn VMS mineralisation was intercepted by the historical drilling completed by BP Minerals and Rio Tinto. This provides a low risk, high priority area to advance the future Cabaçal resource delineation and confirmation program. Historical results included:
 - CAIK-211: 29.3 m @ 6.04 % Cu, 3.10 g/t Au, 28.81 g/t Ag and 0.65% Zn
 - DDH 482: 15.0 m @ 5.50 % Cu, 1.31 g/t Au, 24.72 g/t Ag and 0.49 % Zn
 - DDH 596: 13.4 m @ 5.20 % Cu, 2.66 g/t Au, 9.54 g/t Ag and 1.20 % Zn

Environmental Highlights

- The Company has continued with a program of remediation and environmental monitoring of past colluvial extraction areas, which are progressively returned to the landowners as pasture is re-established.

Corporate Highlights

- During the year ended December 31, 2020, the Company and its subsidiary, Cancana Resources Corp. (“Cancana”) entered in a series of conversion and debt restructure agreements with Sentient Global Resources Fund IV LP (“SGRFIV”), Sentient Executive GP IV Limited (“SEGPIV”), and The Sentient Group Limited (“TSG”) resulting in the settlement of all the debt facilities with SGRFIV, SEGPIV and TSG, totalling \$25,259,288. The debt restructure significantly improved the Company’s working capital. Detailed information regarding the debt restructure is in the Interest-bearing loans and borrowings, note 10.
- On April 13, 2020, the Company appointed Ms. Soraia Morais to the Executive Position of Chief Financial Officer. Ms. Morais is a Chartered Professional Accountant with over 15 years of experience in accounting and financial management. She started working in the resource sector in 2009. Prior to that, she accumulated an extensive business background including managing her own business and spending 5 years at PricewaterhouseCoopers Brazil. She is a dual citizen of Canada and Brazil and fluent in English and Portuguese, with working knowledge of Spanish. She has a University of British Columbia Diploma in Accounting and a Bachelor of Accounting Sciences from Brazil. From 2014 to 2018 Ms. Morais was the VP of Finance of Meridian.
- On June 18, 2020, the Company entered into a Share Surrender and Cancellation agreement with SGRFIV, where SGRFIV agreed to surrender a number of common shares that will result in SGRFIV holding 10% less one of the issued and outstanding shares of the Company, after completion of the transactions described in the Debt Conversion Agreement described in the Debt Facilities section below. On July 16, 2020, to facilitate the restructuring of the Company’s capital structure, SGRFIV surrendered 141,011,304 common shares in the capital of the Company.
- On July 15, 2020, the Company completed a non-brokered private placement of 46,766,666 units (the “Units”) at a price of CAD\$0.075 per Unit, for gross proceeds of CAD\$3,507,500 (\$3,356,134). The Units consist of a common share and a non-transferable common share purchase warrant. Each share purchase warrant is exercisable at a price of CAD\$0.11 for a period of 24 months, until July 15, 2022. In connection with the offering, the Company paid finder’s fee of CAD\$118,732 (\$87,548) and issued 1,962,060 agent’s compensation option. Each agent’s compensation option is exercisable into one unit at a price of CAD\$0.075 for a period of 24 months, with each unit having the same terms as above.

- On July 20, 2020, Dr. Adrian McArthur joined the Board of Directors and assumed the CEO & President roles. Mr. Gilbert Clark stepped down as Interim CEO & President but remains a Company Director. Mr. Peter Weidmann, Sentient's nominee resigned from the Board.
- On August 10, 2020, the number of stock options issued were amended and updated to reflect a reduction of 50.28% in the Company's common shares issued and outstanding after the transactions listed above.
- On August 25, 2020 the Company entered into an option agreement to acquire a 100% beneficial interest in the Cabaçal Copper-Gold Project ("Cabaçal"), comprised of 5 mineral rights tenements, in the state of Mato Grosso, Brazil, for a total consideration of \$8,750,000 plus, at the option of the vendors, 4,500,000 Meridian shares or CAD\$1,350,000 from two private Brazilian companies Prometalica Mineração Ltda. and IMS Engenharia Mineral Ltda (the "Vendors"). See Note 5 for the payment schedule and additional details.
- On November 9, 2020, upon completion of the due diligence, the Company announced that it has signed the binding Purchase Agreement with the Vendors of the Cabaçal in the state of Mato Grosso, Brazil, on the terms as outlined in the Option Agreement originally announced on August 26, 2020. The acquisition of Cabaçal represents a key addition to Meridian's portfolio of projects. Cabaçal is a district-scale Cu-Au endowed VMS project with extensive near-mine and regional exploration upside. The filing of the mineral rights transfer with Agência Nacional de Mineração ("ANM") will now proceed, and the payment of \$275,000 will be required 30 days after the mineral rights assignment to Cabaçal Mineração is published in the Official Gazette in Brazil (totalling payments of \$300,000 towards the aggregate purchase price of \$8,750,000).
- On December 21, 2020, the Company completed a non-brokered private placement of 21,576,500 units at a price of CAD\$0.20 per unit, for gross proceeds of CAD\$4,315,300 (\$3,356,134). Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole share purchase warrant is exercisable at a price of CAD\$0.30 for a period of 24 months, until December 21, 2022. The Company paid finders fees of CAD \$84,205 (\$65,489) and issued 240,950 agent's compensation options. Each agent's compensation option entitles the holder to purchase a unit at a price of CAD\$0.20 per unit expiring December 21, 2022. Each unit related to the compensation option has features consistent with the private placement.

Liquidity and Capital Management

As of December 31, 2020, the Group reported a working capital of \$ 3,361,274 (December 31, 2019 – deficit of \$26,157,347) which included cash of \$4,516,136 (December 31, 2019 - \$530,322). Included in current liabilities on December 31, 2020 are accounts payable and accrued liabilities of \$926,030 (December 31, 2019 - \$2,431,819), loans payable of \$nil (December 31, 2019 - \$24,786,099) and provisions of \$422,950 (December 31, 2019 - \$722,353). The improvement of the Group's working capital during the year was mainly due to the settlement of all the debt facilities with SGFRIV and TSG and to the completion of private placements with gross proceeds of \$5,942,404 (CAD\$7,822,800) in July 2020 and December 2020.

The capital structure of the Company consists of equity attributable to common shareholders, comprising of share capital, share premium, reserves and deficits and the convertible note. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company has historically relied upon capital contributions and debt facilities provided by its shareholders, to maintain an adequate level of cash to satisfy its capital and operating requirements. As of December 31, 2020, the Company does not have any other sources of funding. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

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, including financing from its majority shareholder, 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.

The Company cannot estimate the extent of COVID-19 pandemic outbreak, and its potential impact on the ability to obtain financing and maintain necessary liquidity.

Risk Factors

Companies in the exploration, development and mining stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices, changes in laws and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

Risks and uncertainties the Company considers material in assessing its consolidated financial statements are described below.

Meridian will require additional funding

At December 31, 2020 the Group had positive working capital of \$3,361,274, which included cash of \$4,516,136, receivables, prepaid expenses and other assets of \$183,108, inventory of \$11,010, and accounts payable and provisions of \$1,348,980. During the year ended December 31, 2020, the Group has entered into debt settlement agreements with SGRFIV and TSG as described in the debt facilities section. Also, the Group completed a non-brokered private placement issuing 46,766,666 units at a price of CAD\$0.075 per unit for gross proceeds of \$2,586,270 (CAD\$3,507,500) in July 2020 and 21,576,500 units at a price of CAD0.20 per unit for gross proceeds of \$3,356,134 (CAD \$4,315,300) in December 2020.

The Company has historically relied upon both equity and shareholder contributions and loan facilities to satisfy its capital requirements and will likely continue to depend upon these sources to finance its activities. The Company's exploration portfolio will require additional capital to carry out planned exploration programs. There can be no assurances that the Company will be successful in raising the desired level of financing.

Meridian is subject to government regulation

The Company's mineral activities, including exploration, development and mining activities are subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil, administrative, environmental or criminal fines, penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or mining operations.

Exploration, development and mining activities can be hazardous and involve a high degree of risk

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and mining industry, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

Meridian may be adversely affected by fluctuations in manganese and other metal prices

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in mineral prices. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

Infrastructure

Exploration, development and ultimately mining and processing activities depend, to one degree or another, on the availability of adequate infrastructure. Reliable air service, roads, bridges, railways, power sources and water supply are significant contributors in the determination of capital and operating costs. Inadequate infrastructure could significantly delay or prevent the Company exploring and developing its projects and could result in higher costs.

Meridian does not and likely will not insure against all risks

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental damages, pollution or other hazards as a result of the exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to environmental liability or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Meridian to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Meridian is dependent on key personnel

The Company's success depends in part on its ability to recruit and retain qualified personnel. Due to its relatively small size, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. In addition, despite its efforts to recruit and retain qualified personnel, even when those efforts are successful, people are fallible and human error could result in a significant uninsured loss to the Company.

Meridian's officers and directors may have potential conflicts of interest

Meridian's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. However, applicable law requires the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders and in the case of directors, to refrain from participating in the relevant decision in certain circumstances.

Risks associated with the Agreements with the Cooperatives

The Company's interests in its principal properties in Brazil will be subject to the risks normally associated with the conduct of jointly owned operations. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's financial position or the viability of its interests in the Bom Futuro Joint Venture, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with the Cooperatives or other partners on how to conduct exploration, development or mining activities; (ii) inability of the Company or its partner to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation regarding budgets, development activities, reporting requirements and other matters.

Operations in Brazil and Regulatory Requirements

The Company's principal properties are located in Brazil and mineral exploration and mining activities may be affected in varying degrees by changes in political, social and financial stability, inflation and changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political, social or financial conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, and mine safety. Brazil's status as a developing country may make it more difficult for the Company to obtain any financing required for the exploration and development of its properties due to real or perceived increased investment risk.

Since January 1996, there are no restrictions on the repatriation from Brazil on the earnings of foreign entities, provided that the foreign investments are duly registered before the Central Bank of Brazil. Capital investments registered with the Central Bank in Brazil may similarly be repatriated. The only restrictions to repatriation on the earnings/dividends of foreign entities deriving from Brazilian invested companies are in the cases of subscribed capital not fully paid in by the foreign investor, or in case the Brazilian invested company has accumulated losses registered in its balance sheet. In any case, there can be no assurance that restrictions on repatriation of earnings and capital investments from Brazil will not be imposed in the future.

Permits, licenses and approvals

In countries where Meridian carries out exploration activities, the mineral rights or certain portions of them are owned by the relevant governments. These governments have entered into contracts with Meridian or granted permits or concessions that allow it to carry out operations or development and exploration activities there, but government policy could change. Any change that affects Meridian's rights to conduct these activities could have a material and adverse effect on the Company.

In addition, mineral exploration and mining activities can only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. The duration and success of each permitting effort are contingent upon many factors we do not control. In the case of foreign operations, government approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. There may be delays in the review process. There is no guarantee that we will be granted the necessary permits and licenses, that they will be renewed, or that we will be in a position to comply with all conditions that are imposed.

All mining projects require a wide range of permits, licenses and government approvals and consents. It is not certain that Meridian will be granted these at all, or in a timely manner. If it does not receive them for its mineral projects or are unable to maintain them, it could have a material and adverse effect on the Company.

Risks Inherent in Acquisitions

The Company may actively pursue the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, the Company may also acquire securities of or other interests in companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of the Company's key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Additionally, the legal form of these acquisitions may result in the Company becoming liable for the historical operations of the acquisition.

To acquire properties and companies, the Company may be required to use available cash, incur debt, issue additional Common Shares or other securities, or a combination of any one or more of these. This could affect the Company's future flexibility and ability to raise capital, to explore, develop and operate its properties and could dilute existing shareholders and decrease the trading price of the Common Shares. There is no assurance that when evaluating a possible acquisition, the Company will correctly identify and manage the risks and costs inherent in the business to be acquired. There may be no right for the Company shareholders to evaluate the merits or risks of any future acquisition undertaken by the Company, except as required by applicable laws and regulations.

Coronavirus (COVID-19) pandemic

The current outbreak of novel Coronavirus (COVID-19) and any future emergence and spread of similar pathogens may have the potential to cause severe impact on global economy and market dislocation, which may adversely impact the Company's operations, its suppliers, contractors and service providers' operations, the ability to obtain financing and maintain necessary liquidity, and the ability to explore the Company's properties. The outbreak and all the measures being taken in response to COVID-19 have generated an unprecedented level of uncertainty globally causing significant volatility in commodity prices. Governments worldwide, including the Canadian, Brazilian and UK governments, enacted extraordinary acts and measures to limit spread of the

virus which included restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the situation is dynamic, and all business disruptions and related financial impacts cannot be reasonably estimated at this time.

The Company cannot estimate what will be the extent of this outbreak and the potential financial and material impact on the Company since travel restrictions and other government measures may also adversely impact the Company's exploration, the ability of the Company to advance its projects and to obtain financing and maintain necessary liquidity.

Requirement to report consolidated financial statements under International Financial Reporting Standards ("IFRS") in Canada

As the Company is listed at TSX-V, there are additional requirements to report audited consolidated financial statements under the exchange rules prepared under IFRS and audited in accordance with Canadian generally accepted auditing standards. The consolidated and parent financial statements below have been prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and audited in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. The difference in standards used caused certain differences in the accounting treatment mainly related to the debt restructure agreements in Note 10, items a (ii) and (iv) and Note 13, in section Treasury share cancellation.

Statement by the Directors in performance of their statutory duties in accordance with s.172(1) Companies Act 2006

The Board of Directors of Meridian Mining UK Societas, in line with their duties under s172 of the Companies Act 2006, consider, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members and stakeholders in the decisions that it has taken during the year ended 31 December 2020.

Through working collaboratively with management and having an open and transparent dialogue with the Company's many stakeholders, the Board believes that Meridian Mining UK Societas, has been able to develop a clear understanding of their needs, assess their perspectives and is now well positioned to promote the success of the Company.

As part of the Board's decision-making process, the Board consider the potential impact of decisions on relevant stakeholders, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Illustrations of how these factors have been applied by the Board can be found throughout this 2020 Annual report and financial statements.

Availability and need for capital whether in the form of equity, debt or other sources of financing

The Company has historically relied upon capital contributions and debt facilities provided by its shareholders, to maintain an adequate level of cash to satisfy its capital and operating requirements.

During the year ended on December 31, 2020 the Group entered into a series of agreements to settle the debt agreements with Sentient Global Resources Fund IV L.P. ("SGRFIV") and The Sentient Group Limited ("TSG"). Please refer to note 10 for further details. Also, the Company closed two private placements with gross proceeds totalling \$5,942,404 (CAD\$7,822,800) in July 2020 and December 2020. These transactions improved significantly the Group's working capital.

Increase long-term value for shareholders

Meridian's vision is to create sustainable value for its stakeholders by discovering and developing high quality resource assets. The Company's current focus is to undertake exploration, resource evaluation and development studies on its 100% optioned Cabaçal Cu-Au Project in the state of Mato Grosso, Central West Brazil. The Company has expanded its footprint in this district, separately secured an additional licence at the southern limit of the Project's VMS belt, increasing the Cabaçal tenure from 185 to 283 km², and has secured 484 km² of

licenses within the parallel Jaurú & Araputanga greenstone belts to the west, covering prioritised geophysical and geochemical targets defined by BP Minerals in the 1980's.

The Company also has three projects in the State of Rondônia Espigão Cu - Au polymetallic ("Espigão"), Mirante da Serra ("Mirante") – manganese ("Mn") and Ariquemes - tin ("Sn") in the north of Brazil; together ("the Portfolio"). The Company's long-term focus is on its Cu-Au projects and will seek JV partner or a buyers for non-core projects to unlock shareholder value.

The impact of the Group's operations on the community and the environment

Given the nature of the Group's business, the directors place significant value on these relationships and the Group's operating and development plans are specifically designed to build upon them.

Some of actions adopted:

- Environmental and community relationships are managed directly by employees, residents in Rondônia;
- Professional compensation packages for landowners impacted by the Group's activities are agreed to in advance;
- Safety and environmental improvements are continuously monitored and upgraded;
- Pro-active fauna awareness campaigns with employees.

As outlined at Key performance indicators section, the Group has implemented an improved rehabilitation process whereby rehabilitation is incorporated into the mining sequence providing lower operational costs and a more rapid return of impacted land back to the owners with enhanced land values.

Interests of the Group's employees

The directors recognize that Meridian employees are key to its success and delivery of Group's strategic ambitions. The success of Group business depends on attracting, retaining, and motivating employees. The Group seeks to remain a responsible employer, regarding pay and benefits whilst health safety and well-being of our employees is one the primary considerations, we undertake our business.

As at December 31, 2020, the balance of the stock options outstanding to directors, employees and consultants was 7,074,666 options that are currently exercisable with a weighted-average fair value of CAD\$0.09 per option. For further details, please refer to note 13.

The need to foster business relationships with suppliers and others

The specialist nature of its activities, and the location of the Group's operations, limits the diversity of the supplier base that the Group can access. The Board has been involved in decisions regarding the selection of suppliers and contractors for material capital and operational expenditures, balancing a desire to support local business and to avoid becoming overly reliant on any single supplier.

Maintenance of standards of business conduct

The Board has a role in ensuring that a business is sustainable in the long term. The Board places significant importance on operating to the highest ethical standards, whether this be in relations to government, suppliers, shareholders or employees. The Company has a Code of Business Conduct and Ethics as well other policies with relevant governance standards to help assure its decisions are taken in ways to promote high standards of business conduct.

By order of the board

"Gilbert Clark"
Mr. Gilbert Clark
Director

June 16, 2021

Director's Report

Directors

The directors who held office during the year ended December 31, 2020, and for which this Annual Report has been produced were as follows:

Charles Riopel

Adrian McArthur

Gilbert Clark

During the year ended December 31, 2020:

- On July 20, 2020, Dr. Adrian McArthur joined the Board of Directors and assumed the CEO & President roles. Mr. Gilbert Clark stepped down as Interim CEO & President but remains a Company Director. Mr. Peter Weidmann, Sentient's nominee resigned from the Board.

Subsequent to the year ended December 31, 2020, Mr Gilbert Clark was appointed Executive Chairman, while Mr Charles Riopel stepped down but took on the role of Lead Independent Director. The Board was expanded with the appointments of Mr John Skinner and Mr Mark Thompson as Independent Directors.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs), in conformity with the requirements of the Companies Act 2006 and parent company financial statements, in accordance with International Financial Reporting Standards, (IFRSs) in conformity with the requirements of the Companies Act 2006. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and parent company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs, in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and IFRSs, in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors is aware of that information.

Employees, health and safety

The Group is an equal opportunity employer and encourages diversified culture in workplace. Disclosures in respect of how the directors have engaged with employees regarding their interests are included in section *“Interests of the Group’s employees”* in the Strategic Report, page 13.

To promote employee’s engagements, regular team meetings are hold with management that regularly communicate with employees on factors that affect Group’s performance. Safety remains one of number one priorities and one of Group’s core values.

The Group is always working to continue to improve personal and process safety. All Group’s employees and contractors have the responsibility to stop unsafe work and perform tasks under Group’s safety rule guide to stay safe.

Results and dividends

The Group comprehensive loss for the year amounts to \$9,092,229 (December 31, 2019 - loss of \$18,484,592). To date, the Company has never declared or paid cash dividends to its shareholders.

Any future determination relating to Company’s dividend policy will be made at the discretion of the Board and will depend on a number of factors including future earnings, capital requirements, contractual restrictions, financial condition and other factors that the Board may deem relevant from time to time.

Matters referred to in the Strategic Report

Future developments, principal risks and uncertainties and the fostering of the Group’s business relationships disclosures required in the Directors’ Report are included in the Strategic Report.

Post balance sheet events

Subsequent to December 31, 2020:

- On February 9, 2021 the Company changed the terms of the second payment and assigned the Purchase Agreement related to Cabaçal project to its subsidiary Cabaçal Mineração Ltda. The payment is now required to be made 30 days after the assignment of the mineral rights to Cabaçal Mineração is published in the Official Gazette in Brazil.
- Subsequent to the year ended December 31, 2020, the Company issued 21,758,175 common shares and received gross proceeds totaling \$1,946,316 related to share purchase warrants, agent’s compensation options and agent’s compensation options warrants exercises.

Except as disclosed elsewhere in this document there were no other material subsequent events to the date of this report.

Indemnification of Directors and Officers

During the financial year, the Company purchased directors’ and officers’ insurance. In general terms, the insurance cover indemnifies individual directors and officers of the Group against certain personal legal liabilities and legal defence costs for claims arising out of actions connected with Group business.

By order of the board

“Gilbert Clark”

Mr. Gilbert Clark

Director

6th Floor, 65 Gresham Street, London EC2V 7NQ United Kingdom

June 16, 2021

Independent Auditor's Report to the members of Meridian Mining UK Societas

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Meridian Mining UK Societas. For the purposes of the table on pages 17 to 19 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson and/or our component teams. The Group financial statements, as defined below, consolidate the accounts of Meridian Mining UK Societas and its subsidiaries (the "Group"). The "Parent Company" is defined as Meridian Mining UK Societas. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements which comprise:

- Consolidated Statement of Profit and Loss and Other Comprehensive Income.
- Consolidated Statement of Financial Position.
- Consolidated Statement of Changes in Equity.
- Consolidated Cash Flow Statement.
- Notes 1 to 23 of the Consolidated Financial Statements.
- Company Statement of Financial Position.
- Company Statement of Changes in Equity.
- Company Cash Flow Statement.
- Notes 24 to 33 of the Company Financial Statements, including the accounting policies of the Group and Parent.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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 33.3 in the financial statements, which indicates that, for the Group and Parent Company to continue as a going concern, they will likely need to perform additional fundraising in the next 12 months. As stated in note 33.3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's operations and specifically its business model and its ongoing cash requirements.
- The evaluation of how those risks might impact on the Group's available financial resources and the need for additional fund raising.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of cash flow projections.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	2020	2019	
Group	\$95K	\$200K	2% of gross assets
Parent	\$45K	\$153K	2% of gross assets
	\$4,750	\$10,000	Threshold for reporting to those charged with governance

Key audit matters

Event driven	• Measurement and classification of equity and financial liabilities arising from the group restructuring agreement.
Recurring Group	• Valuation and presentation of exploration and evaluation asset.
Recurring Parent	• Valuation of investment and non-current loans to its subsidiaries.
Scope	The group consists of three reporting components of which two were considered to be significant components of the group, Meridian Mining UK Societas, and Meridian Mineracao Jaburi S.A.. The significant components were subjected to full scope audits for the purposes of our audit report on the group financial statements. The component not considered to be significant was subject to specific risk focused audit procedures designed to address identified risks which could potentially result in material misstatement of the group financial statements. Our audit of the group financial statements also involved the use of a component auditor. The group audit team provided comprehensive instructions to the component auditor of Meridian Mining UK Societas consolidated group. These instructions included specific procedures to be performed. The audit team reviewed and discussed the working papers with the component auditor.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. This included those matters which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement and classification of equity and financial liabilities arising from the group restructuring agreement

Key audit matter description	As described at note 10 the Group entered into a standstill agreement followed by debt settlement agreements with Sentient Global Resources Fund IV L.P. ("SGRFIV") and the Sentient Group Limited ("TSG"). These transactions were considered to be substantial modifications of the previous debt agreements, with the prior liabilities' carrying values being treated as extinguished and the new instruments were accounted for at fair value and classified as financial liabilities or equity.
How the scope of our audit responded to the key audit matter	Our procedures included: • Review of the accounting aspects involved in the restructuring to confirm that these were in compliance with IFRS9, IAS32, IFRIC 19 and the UK's Companies Act 2006. • We performed a review of the Component Auditor's working papers. • Checked the mathematical accuracy of the calculations of the valuation, and reviewed the appropriateness of the method used and the reasonableness of the assumptions made by management. • Consulted with the Group's UK lawyers. • Challenged management to consider their accounting treatment in relation to the issue of shares on settlement of debt and the gift of shares to the Group. • Challenged management to consider their accounting treatment in relation to the Consolidated Facility Agreement with SGRFIV under IFRS9 and IAS32. • Ensured that the measurement, classification and disclosures in the financial statements are accurate. • That the resultant shares surrendered were treated in compliance with the Companies Act 2006 and that shares issued in respect of debt surrenders were recorded in accordance with the capital maintenance rules of the legislation.
Key observations	We concluded that the debt settlements agreements with Sentient Global Resources Fund IV L.P. ("SGRFIV") and the Sentient Group Limited ("TSG") had been correctly accounted for in accordance with the requirements of IFRS and the UK's Companies Act 2006.

Accuracy of measurement of exploration and evaluation assets and the presentation and disclosures of those amounts.

Key audit matter description	As described in note 5 of the financial statements the group holds exploration and evaluation assets. The exploration and evaluation assets must be reviewed for impairment in accordance with IFRS 6 "Exploration for and evaluation of mineral resources" and where appropriate IAS 36 "Impairment of assets". In accordance with IFRS 6 management must review whether there has been any indicators of impairment of the exploration and evaluation assets based on factors which may indicate impairment. Determining any impairment of the exploration and evaluation assets will require the exercise of management judgement.
How the scope of our audit responded to the key audit matter	Our procedures included: • We reviewed the accounting policy to be adopted by management and assessed its consistency with the requirements of IFRS 6. • We performed a review of the Component Auditor's working papers. • We reviewed and challenged management's approach and its assessment of impairment indicators, in accordance with IFRS 6, in determining that no full impairment review of the exploration and evaluation assets was required • We considered the presentation and measurement of the exploration and evaluation assets to determine appropriate disclosures regarding these assets has been adequately made in the financial statements.
Key observations	We concluded that the amounts in respect of evaluation and exploration assets have been appropriately measured and presented in the financial statement and that the disclosures in respect of these amounts meet the requirements of IFRS 6.

Accuracy of the measurement of the financial fixed assets in the company's subsidiary entities, the recoverability of loans due from the subsidiary entities and the presentation and disclosure of those amounts.

Key audit matter description	There is a risk that the financial fixed assets, relating to the company's investments in subsidiaries, and loans due from the subsidiaries are not correctly impaired due to inadequate identification or calculation of any such impairment. The risk arises from management's impairment reviews for the financial fixed assets in accordance with IAS 36 "Impairment of Assets", the accuracy of management's identification of cash generating unit(s) and the impairment of loans provided to the subsidiaries in accordance with IFRS 9 'Financial Instruments'.
How the scope of our audit responded to the key audit matter	• We reviewed the accounting policies to be adopted by management and assessed their consistency with the requirements of both IAS 36 and IFRS 9. • We reviewed and discussed with management the approach taken to the impairment reviews relating to the company's subsidiary assets to confirm that any material impairment is correctly identified. • We tested management's impairment reviews and assessed the reasonableness of judgements made regarding the recoverable amounts of the financial fixed assets in the company's subsidiary entities and the loans due from the subsidiary entities. • We considered the presentation and measurement of the financial fixed assets and loans to subsidiary entities to ensure that appropriate disclosures regarding any impairment has been made in the financial statements.
Key observations	We concluded that the year-end carrying values of the financial fixed assets, relating to the investment in the company's subsidiary entities, and the loans due from the company's subsidiaries were stated at their recoverable amount and that the partial impairment of the investment in subsidiaries recorded in the year have been accurately determined and disclosed in accordance with IAS 36 and IFRS 9.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decisions of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £95K (2019: \$200K) which was determined on the basis of 2% of gross assets. This benchmark was used because the Group is a junior mining company in the early stage of operations.

Performance materiality is an amount set by the auditor to reduce to an appropriately low level the the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at \$66K (2019: \$140K) which represents 70% (2019 – 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

Materiality in respect of the parent was set at \$45K which was determined on the basis of 2% of the Parent Company's gross assets. This benchmark also reflected the nature of the company as a junior mining company in the early stage of operations. Performance materiality for the Parent Company was set at \$31.5K (2019: \$107K) which represents 70% (2019 – 70%) of the above materiality levels.

In addition, we applied the following materiality to the audit of specific financial statement areas:

Revenue	\$57K
Exploration and Evaluation	\$57K
Related Party transactions	\$5K

Our audit work on the significant components of the Group, and for determining and evaluating the specific targeted procedures on other components, was executed at levels of materiality applicable to the individual entity which were lower than Group materiality. Financial statement materiality applied to these components of the Group was in the range of \$45K to \$94K.

We agreed to report any corrected or uncorrected adjustments exceeding \$4,750 to the audit committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and Parent Company and their environments, including internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

The Group manages its operations from the UK and has common financial systems, processes and controls covering all significant components.

The group consists of three reporting components of which two were considered to be significant components of the group, Meridian Mining UK Societas, and Meridian Mineracao Jaburi S.A. The significant components were subjected to full scope audits for the purposes of our audit report on the group financial statements. The component not considered to be significant was subject to specific risk focused audit procedures designed to address identified risks which could potentially result in material misstatement of the group financial statements.

Use of Component Auditors

Our audit of the group financial statements also involved the use of component auditors. The group audit team discussed and agreed the proposed approach to the audit procedures to be performed and the nature and form of their reporting on the results of their work. The group audit team provided comprehensive instructions to the component auditors which included specific procedures to be performed. This included reviewing their working papers and meeting with them. Those instructions also included an assessment of component materiality which was up to \$95k.

The work over the significant components gave us coverage of 100% (2019: 100%) of revenue and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received by branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group's and the Parent 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The specific procedures carried out for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included Companies Act 2006 and applicable tax legislation;
- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Enquiry of management and the Audit Committee around actual and potential litigation and claims;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Reviewing minutes of meetings of those charged with governance;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to debt restructuring, impairment of the company's investments in subsidiaries and impairment and valuation of exploration and evaluation assets.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.


John Coverdale BSc FCA
(Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson, Statutory Auditor
London, United Kingdom
16 June 2021

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for year ended December 31, 2020

	Note	2020	2019 Restated (Note 22)
Revenue		\$ 241,019	\$ 6,262,477
Cost of sales	1	(253,158)	(7,493,996)
Gross loss		(12,139)	(1,231,519)
Exploration and evaluation expenses	1	443,703	1,144,819
General and administration expenses	1	1,218,742	1,855,222
Professional fees		592,370	374,543
Community relations		257	179,127
Share-based payments	13	49,266	447,890
Write-off of tax credits	8	-	946,172
Re-commissioning and standby costs		-	445,166
Care and maintenance expenses		393,377	-
Impairment of property, plant and equipment		-	8,021,426
Impairment of goodwill		-	918,344
Gain on Sale of property, plant and equipment and goodwill		(222,918)	-
Depreciation		79,229	-
Operating loss		(2,566,165)	(15,564,228)
Mark-to-market revaluation of warrants	13	(3,940,613)	30,090
Loss on extinguishment of debt		(244,636)	-
Gain on derivative liability		351,270	-
Finance income		9,674	25,370
Finance expense		(607,650)	(2,409,384)
Foreign exchange		(557,139)	133,979
Net financing expense		(4,989,094)	(2,219,945)
Loss before tax		(7,555,259)	(17,784,173)
Income tax expense	3	23,000	(19,000)
Loss for the year		\$ (7,532,259)	\$ (17,803,173)
Other comprehensive (loss) income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(1,559,969)	(681,419)
Other Comprehensive loss for the year, net of income tax		(1,559,969)	(681,419)
Total comprehensive loss for the year		(9,092,229)	(18,484,592)
Net loss attributable to:			
Equity holders of the parent		(7,532,259)	(17,803,173)
Non-controlling interest		-	-
		(7,532,259)	(17,803,173)
Total comprehensive loss attributable to:			
Equity holders of the parent		(9,092,229)	(18,484,592)
Non-controlling interest		-	-
Total comprehensive loss for the year		\$ (9,092,229)	\$ (18,484,592)
Basic and diluted loss per common share	12	\$ (0.09)	\$ (0.11)

Consolidated Statement of Financial Position

	<i>Note</i>	December 31, 2020	December 31, 2019 <i>Restated (Note 22)</i>	January 1 2019 <i>Restated (Note 22)</i>
Non-current assets				
Property, plant and equipment	4	\$ 220,701	\$ 455,065	\$ 9,349,318
Exploration and evaluation assets	5	6,008,048	7,700,032	7,977,937
Prepaid expenses and other assets	8	-	122,073	790,398
Goodwill	6	-	-	932,350
		6,228,749	8,277,170	19,050,003
Current assets				
Inventories	9	\$ 11,010	\$ 249,917	\$ 123,182
Trade and other receivables		-	822,246	910,626
Cash and cash equivalents		4,516,136	530,322	201,712
Prepaid expenses and other assets	8	183,108	180,439	564,619
		4,710,254	1,782,924	1,800,139
Total assets		\$ 10,939,003	\$ 10,060,094	\$ 20,850,142
Current liabilities				
Trade and other payables	11	\$ 926,030	\$ 2,431,819	\$ 2,247,179
Provisions	14	422,950	722,353	703,801
Loans payable	10	-	24,786,099	-
		1,348,980	27,940,271	2,950,980
Non-current liabilities				
Provisions	14	\$ 157,418	\$ 189,375	\$ 189,521
Loans payable	10	-	-	17,712,401
Taxes and fees payable	11	1,177,192	-	-
Warrant Liability	13	5,031,394	-	30,090
		6,366,004	189,375	17,932,012
Total liabilities		\$ 7,714,984	\$ 28,129,646	\$ 20,882,992
Net assets		\$ 3,224,019	\$ (18,069,552)	\$ (32,850)
Equity attributable to equity holders of the parent				
Share capital	15	1,184,781	1,775,220	1,775,220
Share premium	15	73,841,872	58,493,031	58,493,031
Reserves		4,362,873	(9,459,919)	(9,226,390)
Deficit attributable to common shareholders		(76,165,507)	(68,877,884)	(51,074,711)
Total equity		\$ 3,224,019	\$ (18,069,552)	\$ (32,850)

These financial statements were approved and authorised for issue on June 16, 2021 and were signed on its behalf by:

“Gilbert Clark”

Mr. Gilbert Clark

Director

Company registered number: SE000111

“Charles Riopel”

Mr. Charles Riopel

Director

Consolidated Statement of Changes in Equity

	Share Capital		Reserves						Total – shareholders’ capital attributable to parent
	Share capital	Share premium	Reserves	Share based payments	Warrant reserve	Other Reserves	Accumulated other comprehensive loss	Deficit	
Balance at 1 January 2019 <i>(Restated (Note 22))</i>	\$ 1,775,220	\$ 58,493,031	\$ 462,185	\$ 1,641,992	\$ 13,447	–	\$ (11,344,014)	\$ (51,074,711)	\$ (32,850)
Issuance of stock options (Note 13)	–	–	–	447,890	–	–	–	–	447,890
Comprehensive loss for the year (Restated (Note 22))	–	–	–	–	–	–	(681,419)	(17,803,173)	(18,484,592)
Balance at 31 December 2019	1,775,220	58,493,031	462,185	2,089,882	13,447	–	(12,025,433)	(68,877,884)	(18,069,552)
Share-based payments	–	–	–	49,266	–	–	–	–	49,266
Shares issued on private placement	797,207	4,048,640	–	–	–	–	–	–	4,845,847
Share issuance costs	–	(316,682)	–	–	146,002	–	–	–	(170,680)
Exercise of stock options	8,110	49,091	–	(20,627)	–	–	–	–	36,574
Exercise of warrants	787	10,490	–	–	–	–	–	–	11,277
Debt settlement transactions (Note 10)	135,105	11,557,302	–	–	–	13,676,472	–	244,636	25,613,515
Share surrender as a gift (Note 15)	(1,531,648)	–	–	–	–	1,531,648	–	–	–
Comprehensive loss for the period	–	–	–	–	–	–	(1,559,969)	(7,532,259)	(9,092,228)
Balance at 31 December 2020	\$ 1,184,781	\$ 73,841,872	\$ 462,185	\$ 2,118,521	\$ 159,449	\$ 15,208,120	\$ (13,585,402)	\$ (76,165,507)	\$ 3,224,019

Consolidated Cash Flow Statement

for year ended December 31, 2020

	Note	2020	2019 Restated (Note 22)
Cash flows from operating activities			
Loss for the year		\$ (7,532,259)	\$ (17,803,173)
Adjustments for:			
Income tax expense	3	-	19,000
Accrued finance expense		415,732	1,823,698
Depreciation	4	79,229	915,137
Mark-to-market revaluation of warrants	13	3,940,613	(30,090)
Gain on sale of property plant and equipment		(222,918)	-
Share-based payments	13	49,266	447,890
Write-off of tax credits		-	946,172
Impairment of property, plant and equipment	4, 6	-	8,021,426
Impairment of goodwill	6	-	918,344
Loss on extinguishment of debt	10	244,636	-
Gain on derivative liability	10	(351,270)	-
Unrealized foreign exchange		550,899	(320,592)
Provisions		-	49,516
Taxes and fees payables		329,772	456,514
		(2,496,300)	(4,556,158)
(Increase)/decrease in trade and other receivables		717,860	108,052
(Increase)/decrease in prepaid expenses and other assets		(9,055)	401,795
(Increase)/decrease in inventories		205,591	(170,835)
(Decrease)/increase in tax credits		(467,980)	(277,847)
(Decrease)/increase in trade payables and accrued liabilities		(147,504)	(221,271)
		298,912	(160,106)
Net cash used in operating activities		(2,197,388)	(4,716,264)
Cash flows from investing activities			
Acquisition of exploration and evaluation assets	5	(25,000)	(10,296)
Acquisition of property, plant and equipment	4	-	(192,374)
Proceeds from sale of property, plant and equipment		277,632	-
Net cash used in investing activities		252,632	(202,670)
Cash flows from financing activities			
Proceeds from the issue of share capital, net of transaction costs	15	5,771,724	-
Proceeds from the exercise of options		36,574	-
Proceeds from the warrants of options		5,501	-
Proceeds from loan	10	-	5,250,000
Net cash from financing activities		5,813,799	5,250,000
Net increase/(decrease) in cash and cash equivalents		3,869,043	331,066
Cash and cash equivalents at 1 January		530,322	201,712
Effect of exchange rate fluctuations on cash held		116,771	(2,456)
Cash and cash equivalents at 31 December		\$ 4,516,136	\$ 530,322

Notes

(forming part of the financial statements)

1 Expenses and auditors' remuneration

Cost of Sales included in the profit/loss is comprised of the following:

	2020	2019
Inventory costs	\$ 185,672	\$ 4,667,694
Royalties and taxes	59,368	906,042
Depreciation and depletion	-	915,137
Export costs	-	31,786
Freight expenses	8,118	973,337
Total	\$ 253,158	\$ 7,493,996

Exploration and evaluation expenses included in the profit/loss is comprised of the following:

	2020	2019
Assays	\$ 20,632	\$ 1,117
Consulting – geological	91,528	148,171
Consulting – geophysics	3,597	1,078
Equipment and maintenance	1,441	62,778
Fees and licenses	158,342	212,869
Field expenditures and road construction	8,020	34,270
Other	4,200	69,583
Payroll	124,351	503,969
Professional fees	5,677	2,473
Room and boarding	11,231	90,241
Vehicles expenses	14,684	18,270
Total	443,703	1,144,819

General and administrative expenses included in the profit/loss is comprised of the following:

	2020	2019
Consulting	\$ 78,973	\$ 169,512
Investor relations and shareholder communication	97,907	13,111
Insurance	117,990	127,377
Management and director fees	439,806	419,043
Office and miscellaneous	75,136	166,853
Payroll	190,710	527,734
Rent	20,298	74,024
Subscriptions and licenses	23,392	120,706
Telephone and information technology	74,970	114,813
Travel	14,996	95,929
Other taxes	58,029	-
Other	26,535	26,120
Total	\$ 1,218,742	\$ 1,855,222

Auditor's remuneration:

	2020	2019
Audit of these financial statements		
Amounts receivable by the company's auditors and their associate in respect of:		
Auditor's remuneration (UK)	27,360	29,938
Auditor's remuneration (UK) Non-audit services	14,353	8,456
	\$ 41,713	\$ 38,394

2 Staff numbers and costs

The average number of persons employed by the Group (including directors and officers at the subsidiary level) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Employees	28	134
Officers	4	5
Directors	3	3
	35	142

The aggregate payroll costs of these persons were as follows:

	2020	2019
Wages and salaries	\$ 1,124,391	\$ 2,246,311
Share based payment	49,266	447,890
Social security costs	336,735	436,419
Expenses related to employee benefits	68,139	239,334
	\$ 1,578,531	\$ 3,369,954

3 Taxation

Recognised in the income statement

	2020	2019
Current tax expense	\$ (23,000)	\$ 19,000
Deferred tax expense (recovery)	-	-
Total income tax expense (recovery)	\$ (23,000)	\$ 19,000

Reconciliation of effective tax rate

	2020	2019 Restated (Note 22)
Loss for the year	\$ (7,555,259)	\$ (17,784,173)
Total tax expense (recovery)	-	-
Profit excluding taxation	(7,555,259)	(17,784,173)
Statutory corporation tax rate of 19% (2019: 19 %)	(1,435,000)	(3,378,000)
Foreign tax rate differential	(542,000)	(2,247,000)
Statutory permanent differences	(139,000)	631,000
Losses and deductible temporary differences not recognized	2,093,000	5,013,000
Total tax expense (recovery)	\$ (23,000)	\$ 19,000

4 Property, plant and equipment

Cost:	Mine assets	Land and buildings	Vehicles, machinery and equipment	Plant	Office furniture and other	Assets under construction	Total
Balance, January 1, 2019	\$ 6,832,146	\$ 664,750	\$ 2,215,757	\$ 2,975,746	\$ 164,870	\$ 39,149	\$ 12,892,418
Additions	6,669	-	9,510	-	30,270	145,925	192,374
Transfers	-	-	160,353	-	-	(160,353)	-
Impairment (Note 6)	(6,736,112)	(558,944)	(1,088,100)	(2,931,014)	-	(24,132)	(11,338,302)
Currency adjustment	(102,703)	(11,958)	(59,242)	(44,732)	(6,431)	(589)	(225,655)
Balance, December 31, 2019	-	93,848	1,238,278	-	188,709	-	1,520,835
Disposals	-	-	(600,345)	-	(68,038)	-	(668,383)
Currency adjustment	-	(21,182)	(269,233)	-	(41,431)	-	(331,846)
Balance, December 31, 2020	\$ -	\$ 72,666	\$ 368,700	\$ -	\$ 79,240	\$ -	\$ 520,606

Accumulated depreciation:	Mine assets	Land and buildings	Vehicles, machinery and equipment	Plant	Office furniture and other	Assets under construction	Total
Balance, January 1, 2019	\$ (1,716,042)	(204,156)	\$ (1,263,307)	\$ (272,301)	\$ (87,294)	\$ -	\$ (3,543,100)
Additions	(285,247)	(50,391)	(238,688)	(293,101)	(47,710)	-	(915,137)
Impairment (Note 6)	1,975,493	251,478	528,596	561,309	-	-	3,316,876
Currency adjustment	25,796	3,069	38,578	4,093	4,055	-	75,591
Balance, December 31, 2019	-	-	\$ (934,821)	-	(130,949)	-	(1,065,770)
Additions	-	-	(45,706)	-	(33,523)	-	(79,229)
Disposals	-	-	545,631	-	68,038	-	613,669
Currency adjustment	-	-	202,458	-	28,967	-	231,425
Balance, December 31, 2020	\$ -	\$ -	\$ (232,438)	\$ -	\$ (67,467)	\$ -	\$ (299,905)

Net book value:	Mine assets	Land and buildings	Vehicles, machinery and equipment	Plant	Office furniture and other	Assets under construction	Total
December 31, 2019	\$ -	\$ 93,848	\$ 303,457	\$ -	\$ 57,760	\$ -	\$ 455,065
December 31, 2020	\$ -	\$ 72,666	\$ 136,262	\$ -	\$ 11,773	\$ -	\$ 220,701

5 Exploration and evaluation assets

Summary of exploration and evaluation assets:

Balance as at January 1, 2019	\$ 7,977,937
Option payment – Mirante da Serra	10,296
Foreign currency adjustment	<u>(288,201)</u>
Balance as at December 31, 2019	7,700,032
Option payment – Cabaçal Project	25,000
Foreign currency adjustment	<u>(1,716,984)</u>
Balance as at December 31, 2020	<u>\$ 6,008,048</u>

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 Group's title to its mineral properties. The Company has 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 described in Note 11, the Group issued a net smelter return royalty to 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.

Mirante da Serra, Rondônia

On July 24, 2019 the Company entered into an option agreement to acquire a 100-per-cent 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 real (approximately \$300,000 (U.S.)). The Company is required to make staged payments as follows:

- 40,000 Brazilian reais upon signing (paid – \$10,296);
- 75,000 Brazilian reais upon approval of the final report by the Brazilian National Mining Agency (“ANM”) and title transfer to Meridian;
- 125,000 Brazilian reais on the Meridian board of directors' approval of a positive PEA (Plano de Aproveitamento Econômico (“PAE”) or Economic Mining Plan);
- 150,000 Brazilian reais following the ANM (Agência Nacional de Mineração) approval of PAE;
- 250,000 Brazilian real one-year anniversary of ANM approval;
- 500,000 Brazilian reais upon grant and publication of a valid mining licence (Lavra);

The project is subject to a 0.5% NSR, which the Company may purchase back for one million Brazilian real.

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 (“Cabaçal”) in the state of Mato Grosso, Brazil, for a total consideration of \$8,750,000 plus, at the option of the vendors, 4,500,000 Meridian shares or CAD\$1,350,000, from two private Brazilian companies, Prometalica Mineração Ltda. and IMS Engenharia Mineral Ltda (the “Vendors”). The Company is required to make staged payments based on milestones achieved as follows:

- \$25,000 payable within 5 days of the execution of the option agreement; (paid)
- \$275,000 payable within 30 days of the completion of satisfactory due diligence results and the transfer of the assignment of the mineral rights with the ANM;
- \$1,750,000 payable within 12 months of the second payment provided completion of successful drilling program and historical geophysics database validation;
- 1,000,000 common shares in the capital of the Company or CAD\$300,000, at the option of the Vendors, 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 CAD\$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 CAD\$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.

There is a historic 1.5% NSR associated with the Santa Helena project, which is part of Cabaçal. Cabaçal is located within the buffer zone of Brazil’s frontier. The buffer zone is a political protection zone and not an economic exclusion zone. The terms of the proposed 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 outstanding payments and to complying with other obligations.

Subsequent to year end, the Purchase agreement was amended (Note 21).

6 Goodwill and Impairment

Goodwill was acquired pursuant to the acquisition of Meridian Jaburi. Management has allocated goodwill to its manganese operations which is considered as a single CGU.

Balance as at January 1, 2019	\$	932,350
Foreign currency adjustment		(14,006)
Impairment adjustment		<u>(918,344)</u>
Balance as at December 31, 2019 and December 31, 2020	\$	<u>-</u>

For the purposes of assessing impairment, the Group’s are grouped and reviewed for impairment at the CGU level.

As a result of decreasing manganese prices during 2019, the Company’s manganese operation was operating at a significant loss culminating in the Company putting the plant into care and maintenance during December 2019.

During the fourth quarter of 2019, the carrying value of the net assets in its manganese operation CGU were written down to their net realizable value. The manganese operation CGU included the goodwill acquired pursuant to the acquisition of Jaburi and the Group’s property, plant and equipment (note 4).

The impairment test was performed effective December 31, 2019 and used the Fair Value Less Costs of Disposal ("FVLCD") methodology. The operating assets recoverable amount, FVLCD, was assessed at the individual asset level, with certain assets having a recoverable amount.

The impairment test concluded that based on the current manganese prices it is unlikely that it will restart the mine and as a result the recoverable amount of the manganese operation CGU was lower than the carrying value as at December 31, 2019. As a result, the Group recorded an impairment charge of \$8,939,770 in the Statement of Loss, including the write-down of goodwill of \$918,344 and plant and equipment of \$8,021,426.

7 Investments in subsidiaries

These consolidated financial statements include the following 100% held entities as December 31, 2020 and December 31, 2019:

Name of subsidiary:	Jurisdiction of Incorporation	Functional Currency
Ferrometals Management Services Canada Inc	Canada	USD
Ferrometals Serviços do Brasil Ltda ⁽ⁱ⁾	Brazil	BRL
Meridian Mineração Jaburi S.A.	Brazil	BRL
Cancana Resources Corp	Canada	CAD
Cabaçal Internacional Ltda	Brazil	BRL
Cabaçal Mineração Ltda	Brazil	BRL

⁽ⁱ⁾ During the year ended December 31, 2020 the Company was dissolved (effective date as November 27, 2020)

8 Prepaid Expenses and other assets

	2020	2019
Current:		
Tax credits	\$ 19,329	\$ 69,325
Tax recovery	24,000	-
Prepaid expenses and advances	139,779	111,114
Total	\$ 183,108	\$ 180,439
Non-current:		
Tax credits	\$ -	\$ 122,073
Total	\$ 183,108	\$ 302,512

The Company is required to pay certain taxes in Brazil that are based on purchases of consumables and property, plant and equipment. These taxes credits are recoverable from the Brazilian tax authorities through various methods, including as a cash refund or as a credit against current taxes payable. During the year ended December 31, 2019, the Company put the manganese producing plants into care and maintenance and as such, the recovery and timing of such recovery of tax credits was uncertain, therefore the Group wrote-off tax credits of \$946,172.

9 Inventories

	2020	2019
Stockpiled ore	\$ -	\$ 235,698
Consumables and stores	11,010	14,219
Total	\$ 11,010	\$ 249,917

During the year ended December 31, 2020, \$185,672 (December 31, 2019 - \$4,667,694) of costs were expensed that were directly attributable to the costs incurred during the production of inventory.

10 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Strategic Report.

	2020	2019
Balance, beginning of year	\$ 24,786,099	\$ 17,712,401
Borrowings (b.(iv), b.(v))	-	5,250,000
Interest expense	473,189	-
Debt settlement (a)	(25,259,288)	1,823,698
Balance, end of year	\$ -	\$ 24,786,099
Represented by:		
Current	\$ -	\$ 24,786,099
Non-current	-	-
Total	\$ -	\$ 24,786,099

a. Standstill Agreement and Debt Settlements:

In March 2020, the Company signed amendment and stand-still agreements with Sentient Global Resources Fund IV L.P. ("SGRFIV") and The Sentient Group Limited ("TSG") extending the maturity date of all loans from March 31, 2020 to July 30, 2020 and reducing the interest rates to 0% effective April 1, 2020.

Subsequent to entering into the amendment and stand-still agreements, the Group completed various restructuring transactions with SGRFIV and TSG resulting in the settlement of the amounts outstanding. Each of these restructuring transactions is considered to be a substantial modification of the previous debt agreement and therefore the prior carrying amounts have been settled and the consideration which was issued by the Group has been accounted for at fair value, with all transaction costs being expensed as incurred.

Debt settlement gains related to the restructuring transactions with SGRFIV have been recognized as a capital contribution in equity as SGRFIV owned in excess of 87% of the Company's voting common shares at the time of the restructuring transactions and therefore was considered to be acting in the interests of a shareholder rather than a creditor. Debt settlement loss related to the restructuring transaction with TSG has been recognized in the consolidated statement of loss and other comprehensive loss as TSG was considered to be acting in the interests of a creditor. TSG was a third party when TSG entered into the restructuring transaction with the Company.

The following is a summary of the restructuring transactions at settlement dates:

	Carrying Value of Loan Extinguished	Form of consideration given	Valuation of consideration	Equity – Other reserves	Gain (loss) on Settlement
SGRFIV:					
(i)	\$ 10,861,715	Consolidated facility agreement	\$ 1,123,119	\$ 9,738,596	\$ -
(ii)	10,500,000	Common shares	10,500,000	-	-
(iii)	3,166,027	Net smelter royalties	-	3,166,027	-
	24,527,742		11,623,119	12,904,623	-
TSG					
(iv)	1,192,406	Common shares	1,437,043	-	(244,636)

(i) *Consolidated Facility Agreement with SGRFIV*

Effective on the closing of the July 15, 2020 private placement, the Company replaced debt of \$10,343,397 in exchange for a non-interest bearing loan facility of CAD \$14,674,177 maturing on March 31, 2022 ("Consolidated Facility"). Any outstanding balance of the loan facility at maturity will be converted into common shares of Meridian at a conversion rate of CAD \$2.50 per common share. The Company can elect to settle the loan facility in cash at any time without premium and has the option to convert the loan to common shares at the same conversion rate prior to maturity if or when the Company meets a financing target of CAD \$7,093,500 (this condition was met upon completion of the December 21, 2020 private placement (Note 12)). The Company had also agreed to assume SGRFIV's future withholding tax obligation owing when the interest portion of the debt is ultimately settled with SGRFIV by Meridian (Refer to note 22). The Consolidated Facility Agreement is secured against certain inter-company loans between Meridian and its subsidiary Jaburi and all the shares of Jaburi.

The Consolidated Facility was determined to be a financial liability containing an embedded derivative asset related to the Company's contingent share conversion option. The Company elected to measure the entire hybrid instrument at fair value through profit and loss. On initial recognition, the Consolidated Facility was recognized at fair value of \$1,123,119. The difference between the carrying amount of the settled debt (\$10,861,715) and the fair value of the loan facility was \$9,738,596 and it was recognized as a capital contribution to other reserves. The fair value of the estimated withholding tax obligation related to the Consolidated Facility is \$1,000,146 (December 31, 2019 (Restated (Note 22)) – \$790,476).

During the year ended December 31, 2020, the Company completed two non-brokered private placements with total proceeds of CAD \$7,822,800. As result, the Consolidated Facility's financing target of CAD \$7,093,500 was met on the closing date of the December 21, 2020 financing (Note 12) resulting in the Company now having the option to settle the outstanding Consolidated Facility with a fixed number of common shares (5,869,670 common shares) at any time through to maturity. Upon effectiveness of the issuer conversion provision, the Company had a substantive right to settle the liability with their own shares and therefore the instrument was reclassified to equity. The fair value of the Consolidated Facility liability of \$771,849 on December 21, 2020 was reclassified to other reserves as an equity instrument, resulting in no gain or loss on extinguishment.

The Company recorded a gain of \$351,270 due to change in the fair value of the loan facility, measured at FVTPL, through to its reclassification to equity on December 21, 2020.

(ii) *Debt Conversion Agreement with SGRFIV*

The Company issued 5,958,540 common shares on July 16, 2020 to SGRFIV to settle debt of \$10,500,000. The transaction was accounted for as a debt extinguishment and the Company's common shares were valued using the value of the consideration received for issue the shares that is face value of the debt. Accordingly, the excess of cash consideration over the nominal value of shares (\$59,585) issued is taken to share premium (\$10,440,415) under s610 of the Companies Act 2006.

(iii) *Royalty Purchase and Debt Settlement Agreement and Net Smelter Royalty Agreement between Cancana and SGRFIV*

Cancana issued to SGRFIV a 2% net smelter returns royalty ("Royalty") to settle the debt of \$3,166,027. The effective date of the extinguishment was June 2, 2020, the date Cancana received approval from TSX-V. Cancana had also agreed to assume SGRFIV's future withholding tax obligation owing when the interest portion of the obligation is paid to SGRFIV by Cancana (Refer to Note 22). The fair value of the Royalty valued at inception was \$nil and the difference from the carrying amount of the debt extinguished was recognized as a capital contribution to other reserves, totalling \$3,166,027. As at December 31, 2020, the fair value royalty obligation was estimated to be \$nil. The fair value of the estimated withholding tax payable is \$176,783 and the withholding tax obligation on December 31, 2019 was \$152,569 (Restated (Note 22)).

In June 2020, the Company agreed to increase the Royalty from 2% to 3%. TSX-V approval for the increase was received on September 22, 2020.

The 3% net smelter returns royalty is over the following projects:

- 3% on Espigão polymetallic;
- 3% Mirante da Serra manganese;
- 3% Arique mes 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.

Certain conditions and restrictions apply to be followed by Jaburi and Cancana regarding the title maintenance and assignment of the projects contemplated in the Royalty Agreement.

(iv) Debt Conversion Agreement with TSG

The Company issued 5,910,602 common shares on July 16, 2020, at a conversion price of CAD \$0.30 per common share, to The Sentient Company's nominees to settle debt of \$1,249,863. The Company had also agreed to assume TSG's future withholding tax obligation owing when the interest portion of the obligation is paid to TSG by Meridian (refer to Note 22). The fair value of the estimated withholding tax payable is \$57,457 and the withholding tax obligation on December 31, 2019 was \$56,944 (Restated (Note 22)). The transaction was accounted for as a debt extinguishment, resulting in a loss on extinguishment of \$244,636. As per Companies Act 2006, a further adjustment was then required to recognise the loss on extinguishment as part of the consideration given to issue the shares, resulting in a reclassification of \$244,636 from deficit to share premium in equity.

b. SGRFIV Loan Facilities and Balances Prior to Settlement:

- In October 2016, the Company entered into a non-arm's length loan agreement with Sentient Global Resources Fund IV LP for \$7,000,000, available in tranches, which was amended and increased to \$7,500,000 in August 2017, and to \$8,500,000 in December 2017. The loan bears interest at a rate of 10% per annum and is for a term of 1.5 years. On December 31, 2018 the Company negotiated an extension of the maturity date to March 31, 2020. During the year ended December 31, 2020, the Company entered into standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in July 2020 was \$11,112,945.
- In December 2017, the Company entered into a non-arm's length loan agreement with Sentient Global Resources Fund IV LP for \$1,500,000. The loan bears interest at a rate of 10% per annum. On September 30, 2018 the Company negotiated an extension of the maturity date to March 31, 2020. During the year ended December 31, 2020, the Company entered into a standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in June 2020 was \$1,841,096.
- In 2016, prior to the closing of the share exchange the outstanding loan balance of \$1,000,000 which Cancana had borrowed from Ferrometals BV was restructured such that Sentient Global Resources Fund IV L.P. became the counterparty of the loan facility. The interest rate was amended to 10% effective January 1, 2017. On September 30, 2018, the Company negotiated an extension of the maturity date to March 31, 2020. During the year ended December 31, 2020, the Company entered into a standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in June 2020 was \$1,324,932.
- In June 2018, the Company entered into a \$2,000,000 unsecured loan facility with Sentient Global Resources Fund IV LP. The loan bears interest at 10% per annum and was due to mature on September 30, 2019 but was subsequently extended to March 31, 2020. During the year ended December 31, 2020, the Company entered into a standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in July 2020 was \$2,360,000.
- In August 2018, the Company entered into a \$1,500,000 unsecured loan facility with Sentient Global Resources Fund IV LP. The Company entered into agreements to increase the facility from \$1,500,000 to \$3,000,000 on January 24, 2019, from \$3,000,000 to \$4,500,000 on April 18, 2019 from \$4,500,000 to \$5,200,000 on August 28, 2019 and from \$5,200,000 to \$6,750,000 on December 4, 2019. The loan bears interest at 10% per annum and was due on March 31, 2020. During the year ended December 31, 2020, the Company entered into a standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in July 2020 was \$7,370,452.

c. *TSG Loan Facilities Prior to Settlement:*

- (i) In October 2017, the Company entered into a \$1,000,000 non-arm's length unsecured short-term loan facility with The Sentient Group Limited. The loan bears interest at 10% per annum. On September 30, 2018 the Company negotiated an extension of the maturity date to March 31, 2020. During the year ended December 31, 2020, the Company entered into standstill, conversion agreements and amendment as described above. Principal and interest outstanding prior to the loan's consolidation and settlement in July 2020 was \$1,249,863.

11 Trade and other payables

	December 31, 2020	December 31, 2019 <i>Restated (Note 22)</i>
Trade payables	\$ 458,165	\$ 697,019
Payroll liabilities	52,398	454,375
Taxes and fees payable (i) and (ii)	415,467	1,245,861
Other liabilities	-	34,564
Total	\$ 926,030	\$ 2,431,819
Non-Current:		
Taxes and fees payable (i) and (ii)	1,177,192	-
Total	\$ 1,177,192	\$ -

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

During the year ended December 31, 2020, the Group enrolled in an instalment payment program on certain unpaid taxes and fees related to the year ended December 31, 2019. Under the program the Group 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:

- Brazilian social security taxes. The total taxes payable of \$178,099 will be repaid in equal monthly instalments over 50 months, adjusted for inflation.
- Brazilian ANM fees. The total fees payable of \$78,006 will be repaid in equal monthly instalments over 25 months, adjusted for inflation.

As a result, the Group reclassified as long-term liabilities the amount of \$177,046.

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

Certain taxes totalling \$1,292,678 (December 31, 2019 (Restated (Note 22)) - \$999,989), including \$1,000,146 (December 31, 2019 - \$nil) as long-term liability, were accrued in connection with the debt restructuring transactions described in Note 10.

12 Loss per share – Group

	For the year ended December 31, 2020	For the year ended December 31, 2019 Restated (Note 22)
Loss for the year used in calculation of basic and diluted loss per share	\$ (9,092,229)	\$ (18,484,592)
The weighted average number of ordinary shares used for the calculation of basic and diluted loss per share are as follows:		
Weighted average number of common shares used in the calculation of basic and diluted loss per share	103,788,425	163,822,421
Basic and diluted loss per share	<u>\$ (0.09)</u>	<u>\$ (0.11)</u>

13 Warrants and Stock Options

The terms and conditions of the grants are as follows:

	Warrants			Stock Options		
	Number	Weighted Average Exercise Price		Number	Weighted Average Exercise Price	
Outstanding December 31, 2018	12,794,500	CAD\$ 0.65		1,050,000	CAD\$ 0.44	
Expired	(12,794,500)	-		(30,000)	0.44	
Granted	-	-		15,200,000	0.07	
Outstanding December 31, 2019	-	-		16,220,000	0.09	
Expired	-	-		(1,600,303)	0.13	
Granted	57,554,916	0.15		700,000	0.10	
Exercised	(65,000)	0.11		(700,000)	0.07	
Amendment, reduction in shares issued and outstanding ⁽ⁱ⁾	-			(7,545,031)	0.09	
Outstanding December 31, 2020	57,489,916	CAD\$ 0.15		7,074,666	CAD\$ 0.09	
Number currently exercisable	57,489,916	CAD\$ 0.15		7,074,666	CAD\$ 0.09	

⁽ⁱ⁾ In July 2020, the Company finalized the transaction listed in the Treasury share cancellation section above, the private placement and debt restructuring transactions (Note 10) that reduced the Company's common shares issued and outstanding by 50.28%. In August, and in order to comply with the Company's stock option plan, the number of stock options issued were amended and updated to reflect this proportional reduction.

As at December 31, 2020 the following incentive stock options, share purchase warrants and agent's compensation options were outstanding:

	Number of Shares	Exercise Price (CAD)	Expiry Date	Remaining Contractual Life (years)
Stock options	397,732	\$ 0.44	May 17, 2022	1.38
	6,328,918	0.07	October 22, 2024	3.81
	348,016	0.10	June 2, 2025	4.42
Warrants	46,701,666	0.11	July 15, 2022	1.54
	10,788,250	0.30	December 21, 2022	1.97
Agent's compensation options	1,962,060	0.075	July 15, 2022	1.54
	240,950	0.20	December 21, 2022	1.97

The Meridian has a stock option plan under which it is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's shares for a period preceding the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

In October 2019, the Company granted 15,200,000 options that vested immediately to directors, employees and consultants. Total share-based payments recognized in the statement of operations for the year ended December 31, 2019 was \$447,890 for incentive options granted and vested.

In June 2020, the Company granted 700,000 options that vested immediately to an officer. Total share-based payments recognized in the statement of operations for the year ended December 31, 2020 was \$49,266 for incentive options granted and vested.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the years ended on December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Risk-free interest rate	0.39%	1.53%
Expected life of options	5 years	5 years
Expected annualized volatility	175.84%	65.11%
Dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	0.0%

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 are classified and accounted for as a derivative liability at fair value with changes in fair value included in profit or loss.

On July 15, 2020, the Company issued 46,766,666 warrants and initially allocated \$484,685 to the warrant derivative liability. On December 21, 2020, the Company issued 10,788,250 warrants and initially allocated \$611,872 to the warrants derivative liability.

During the year ended December 31, 2020, there was a derivative loss of \$3,940,613 from the mark-to-market measurement of the warrant derivative liability. The weighted average assumptions used in the Black-Scholes pricing model to calculate the fair value of the warrants were: an expected life of 1.00 year; annualized volatility of 93.69%; a risk free interest rate of 0.20%; and zero expected dividend yield.

In May 16, 2017, the Company issued 12,734,500 warrants and initially allocated \$763,269 to the warrant derivative liability. All warrants expired in the year ended in 2019. During the year ended December 31, 2019 there was a derivative gain of \$30,090 from the mark-to-market of the warrant derivative liability.

14 Provisions

	Environmental provision (i)	Other provisions (ii)	Total
Balance, January 1, 2019	\$ 551,605	\$ 341,717	\$ 893,322
Spent during the year	(47,290)	-	(47,290)
Accretion	15,078	-	15,078
Accrued during the year	36,582	45,608	82,190
Foreign currency adjustment	(19,529)	(12,043)	(31,572)
Balance, December 31, 2019	536,446	375,282	911,728
Spent during the period	(196,048)	-	(196,048)
Accretion	10,341	-	10,341
Additions (reversals) during the year	99,046	(60,842)	38,204
Foreign currency adjustment	(119,596)	(64,261)	(183,857)
Balance, December 31, 2020	\$ 330,189	\$ 250,179	\$ 580,368
Represented by:			
Long-term portion	\$ 157,418	\$ -	\$ 157,418
Current portion	\$ 172,771	\$ 250,179	\$ 422,950

(i) Environmental provision

Pursuant to Jaburi's operations in Brazil, the Company is required to rehabilitate its plant and colluvial 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 is included in production costs in the period recognized. Long term environmental liabilities related to decommissioning the plants are recorded at the present value of the estimated costs, assuming risk-free discount rates of 5.87% (2019 – 6.5%) and are expected to be incurred up to the end of 2022.

The Group expects to spend around \$339,000, amount not discounted or adjusted for inflation, which will be incurred between 2021 and 2022 to rehabilitate areas explored and the decommissioning of the plants (December 31, 2019 - \$554,000).

(ii) Other provisions

Various legal and regulatory matters are outstanding from time to time due to the nature of the Group's operations. In the event that management's estimate of the future resolution of these matters changes, the Group will recognize the effects of the changes in its consolidated financial statements on the date such charges occur. As at December 31, 2020, the Group has recognized a provision of \$250,179 (2019 - \$375,282) representing management's best estimates of expenditures required to settlement present obligations. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Group's estimates.

15 Capital and reserves

Authorized Capital

As at December 31, 2020 the Company is authorized to issue an unlimited number of common shares with a par value of €0.01.

Issued Capital

The Company has 103,788,425 (2019 - 163,822,421) issued and fully paid common shares.

Share capital

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

Share premium

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

Shares issued

During the year ended December 31, 2020:

On July 15, 2020, the Company completed a non-brokered private placement of 46,766,666 units at a price of CAD \$0.075 per Unit, for gross proceeds of CAD\$3,507,500 (\$2,586,270). Each unit consists of one common share and one non-transferable common share purchase warrant. Each common share purchase warrant is exercisable at a price of CAD \$0.11 for a period of 24 months, until July 15, 2022. The Company determined that the fair value of the warrants issued was CAD \$657,330 (\$484,685). The fair value was determined by using Black-Scholes to perform an iterative calculation to allocate the actual proceeds received between the common shares and the warrants. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 1 years; annualized volatility of 103.68%; a risk free interest rate of 0.27%; and zero expected dividend yield. The Company paid finders fees of CAD \$118,732 (\$87,548) and issued 1,962,060 agent's compensation option valued at CAD \$147,155 (\$108,523) as finder's fees in connection with this private placement. The value of the agent's compensation option was determined using the same unit price of the private placement. Each agent's compensation option entitles the holder to purchase a unit at a price of CAD\$0.075 per unit expiring July 15, 2022. Each unit related to the compensation option has features consistent with the private placement. The Company incurred other share issuance costs of \$34,962 on this private placement. Total transactions costs were \$231,033 of which \$187,736 were allocated to share premium and \$43,297 were recognized through profit and loss.

On December 21, 2020, the Company completed a non-brokered private placement of 21,576,500 units at a price of CAD \$0.20 per unit, for gross proceeds of CAD \$4,315,300 (\$3,356,134). Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole share purchase warrant is exercisable at a price of CAD \$0.30 for a period of 24 months, until December 21, 2022. The Company determined that the fair value of the warrants issued was CAD \$786,742 (\$611,872). The fair value was determined by using Black-Scholes to perform an iterative calculation to allocate the actual proceeds received between the common shares and the warrants. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 2 years; annualized volatility of 113.23%; a risk free interest rate of 0.23%; and zero expected dividend yield. The Company paid finders fees of CAD \$84,205 (\$65,489) and issued 240,950 agent's compensation options valued at CAD \$48,190 (\$37,479) as finder's fees in connection with this private placement. The value of the agent's compensation option was determined using the same unit price of the private placement. Each agent's compensation option entitles the holder to purchase a unit at a price of CAD \$0.20 per unit expiring December 21, 2022. Each unit related to the compensation option has features consistent with the private placement. The Company incurred other share issuance costs of \$54,729 on this private placement. Total transactions costs were \$157,696 of which \$128,946 were allocated to share premium and \$28,750 were recognized through profit and loss.

Treasury share cancellation

On July 16, 2020, pursuant to the Share Surrender and Cancellation agreement with SGRFIV entered in June 2020 and after completion of the transactions described in the Debt Conversion Agreement described in the Note 10, SGRIV has surrendered as a gift 141,011,304 common shares in the capital of the Company. Upon cancellation of the shares, the carrying nominal value of \$1,531,648 of the cancelled shares was eliminated from share capital and a corresponding entry was credited to Other Reserves, according to Companies Act 2006 rules.

The Company did not complete any share transactions during the year ended December 31, 2019.

Reserves - Stock options and warrants

Stock option and share purchase warrant transactions. Please refer to Note 13.

16 Commitments and Contingencies

A significant portion of the Company's operations are located in Brazil. From time to time various legal, labour, environmental and tax matters are outstanding due to the nature of both current and historical operations. The Company has taken and continues to take all necessary and available steps to comply with relevant laws and regulations, however there is no assurance such steps will be successful.

Royalties

The Group pays royalties to landowners as well as the Brazilian government. Royalties to landowners are determined based on individual negotiated agreements, usually at a rate of 1.5% of net sales proceeds on the sale of manganese oxide material, while royalties of approximately 3% of sale proceeds on the sale of manganese oxide material are paid to the Brazilian government.

Buffer Zone

The Company has been advised that due to certain Jaburi tenements being in close proximity to indigenous title land, Jaburi could be affected by a civil public action (*"Ação Civil Pública"*) between two Brazilian government departments, namely the Brazilian Federal Prosecutor's Office (*"PFO"*) and ANM.

Jaburi currently owns several tenements, which border the *Povo Cinta Larga* indigenous land. Due to illegal diamond mining activities by third parties within the *Povo Cinta Larga* indigenous land and surrounding areas (the so-called Roosevelt Reserve comprised of 2.7 million hectares, located in the south side of the State of Rondônia), in 2005 the FPO filed a civil public action against the ANM. The FPO is requesting the ANM to withdraw all existent research applications and mining authorizations within the indigenous land of *Povo Cinta Larga* and surrounding area adjacent to the indigenous land (*"Buffer Zone"*).

On 2008, the lower federal court Judge prevented mining companies from doing business in indigenous areas, except for the 10km Buffer Zone. This decision is favorable to Jaburi's interests. The Buffer Zone concept is a result of Environmental Law discussions in Brazil. On 2013, the Federal Court of Appeals for the First Circuit (*"TRF-1"*) reviewed and amended the lower federal court decision to include the Buffer Zone within the indigenous areas. ANM filed appeals to overrule the TRF-1 decision, however, none of these appeals have yet been reviewed by the Superior Court of Justice (*"Superior Tribunal de Justiça"* or *"STJ"*) and the Federal Supreme Court (*"Supremo Tribunal Federal"* or *"STF"*).

If there is an eventual imposition of a Buffer Zone, this would have a material impact on Jaburi's tenements as some of Jaburi's tenements straddle or are wholly within the proposed Buffer Zone.

Jaburi has retained local Brazilian counsel to represent them in this issue who are following up closely the civil public action. At this point in time, management has determined it is more likely than not that there will be no amount owing, and therefore no liability has been accrued.

17 Related parties

Key management compensation

	2020	2019
Salaries, consulting and directors fees	\$ 549,472	\$ 582,478
Share-based payments	49,266	359,491

The Group had the following transactions with entities related by way of common directors and/or management:

- Professional fees of \$16,970 (2019 - \$34,328) paid to Trustmoore (Netherlands) BV, a group which a former director of a former subsidiary was an employee of.
- Other related party transactions
As at December 31, 2020 the Group 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, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 94,292	\$ 44,479

During the years ended December 31, 2020 and 2019, the Group had debt transactions with SGRFIV and TSG that are disclosed in the Note 10.

18 Capital Management

The capital structure of the Group consists shareholder's equity (deficiency) totalling \$3,224,019 (2019 - (18,069,552)), share capital of \$1,184,781 (2019 - \$1,775,220), share premium of \$73,841,872 (2019 - \$58,493,031), reserves of \$4,362,873 (2019 - (\$9,459,919)), and deficit of \$76,165,507 (2019 - \$68,877,884). The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light 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 and investments.

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.

19 Risk Management and financial instruments

Financial instruments

The Group 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 receivables and advances, accounts payable and accrued liabilities, and loan payable approximates fair value due to the short-term nature of the financial instruments. Cash is carried at its fair value using level 1 inputs. Warrants derivative liability and financial liability were measured at fair value based on Level 2 inputs.

The principal financial instruments by category are as follows:

Group financial assets and liabilities

	Fair Value through profit and loss		Amortized Costs	
	2020	2019	2020	2019
<u>Financial assets</u>				
Cash and Cash equivalents	\$ -	\$ -	\$ 4,516,136	\$ 530,322
Trade and other receivables	-	-	-	822,246
Total financial assets	\$ -	\$ -	\$ 4,516,136	\$ 1,352,568
<u>Financial liabilities</u>				
Trade and other payables	\$ -	\$ -	\$ 926,030	\$ 2,431,819
Warrant liability	5,031,394	-	-	-
Loans payable	-	-	-	24,786,099
Total financial liabilities	\$ 5,031,394	\$ -	\$ 926,030	\$ 27,217,918

Company financial assets and liabilities

	Fair Value through profit and loss		Amortized Costs	
	2020	2019	2020	2019
<u>Financial assets</u>				
Cash at bank and on hand	\$ -	\$ -	\$ 4,381,442	\$ 468,876
Intercompany loans	-	-	6,289,033	5,871,181
Total financial assets	\$ -	\$ -	\$ 10,670,475	\$ 6,340,057
<u>Financial liabilities</u>				
Trade and other payables	\$ -	\$ -	\$ 221,221	\$ 21,856
Loans payable	-	-	-	21,675,849
Warrant liability	5,031,394	-	-	-
Intercompany loans	-	-	721,501	1,090,773
Total financial liabilities	\$ 5,031,394	\$ -	\$ 942,722	\$ 22,788,478

Risk management

The Group 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 Group to credit risk consist of cash and receivables. The Group deposits cash with high credit quality financial institutions as determined by rating agencies. Receivables and advances are mostly due from suppliers and contractors. Trade receivables are due from well-known customers, and the carrying amount of the financial assets represents the maximum credit exposure.

Currency risk

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

The Group holds cash and trade payables in Canadian dollars, Australian dollars and Brazilian reals; fluctuations in these currencies will, consequently, have an impact upon the Group's profitability and the value of the Group's liabilities. As at December 31, 2020, a 10% appreciation in the US dollar against the Brazilian Real would not result in a significant impact to the Company's earnings before taxes. A 10% appreciation in the US dollar against the Canadian dollar would result in an approximate \$435,564 decrease to the Group's earnings before income taxes.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations associated with its financial liabilities.

The Company has historically relied upon capital contributions and related party debt financing and maintaining an adequate level of cash to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Group's trade and other liabilities are subject to normal trade terms. The Group 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 minimal 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 and 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.

The Company cannot estimate the extent of COVID-19 pandemic outbreak, subsequent to December 31, 2020, and its potential impact on the ability to obtain financing and maintain necessary liquidity.

As at December 31, 2020, the Group's non-derivative financial liabilities analysis is as follows:

	Within 1 year or on demand	Total
Trade and other payables	\$ 926,030	\$ 926,030
Provisions	157,418	157,418
Taxes and fees payable	819,251	819,251
Total	\$ 1,902,699	\$ 1,902,699

20 Segment information

The Company's sole operation is the Jaburi mine in Rondônia, Brazil. Accordingly, management considers Meridian to currently have one segment and, therefore, segmented information is not presented.

Sales

All of the Group's sales arises from its operation in Brazil.

An analysis of sales concluded by major customers geographically is as follows:

	2020	%	2019	%
Brazil	\$ 241,019	100%	\$ 3,152,796	59%
Colombia	-	-	2,124,864	28%
United Arab Emirates	-	-	984,817	13%
Total	\$ 241,019	100%	\$ 6,262,477	100%

21 Subsequent events

a) Warrants and agent's compensation options and warrants exercises

Subsequent to the year end, the following securities were exercised:

Securities exercised	Number of shares issued	Weighted Average Exercise Price	Gross proceeds in CAD
Warrants	15,971,399	\$0.11	\$ 1,814,329
Agent's compensation options	1,675,754	0.08	128,242
Agent's compensation options warrants	42,367	0.14	5,913
Total	17,689,520		\$ 1,948,484

b) Cabaçal purchase agreement amendment

On February 9, 2021 the Company changed the terms of the second payment and assigned the Purchase Agreement related to Cabaçal project to its subsidiary Cabaçal Mineração Ltda. The payment is now required to be made 30 days after the mineral rights assignment to Cabaçal Mineração of the mineral rights is published in the Official Gazette in Brazil.

c) Grant of stock options

On February 26, 2021, the Company granted 3,335,000 stock options to directors, officers, employees, consultants and advisors that vested immediately with an exercise price of CAD\$0.45 per common share for a term of five years, until February 26, 2026.

22 Restatement of Withholding Tax Obligations

During the year ended December 31, 2020, while determining the impact of settlements of the debt (Note 10) the Company concluded that a historical gross up of withholding taxes applicable under the debt agreements were previously not accrued. The Company has restated the comparative figures to correct the impact of applicable gross up of withholding taxes required to be accrued in prior years on the following loan facilities:

	Year ended December 31, 2019
Gross up withholding taxes to be accrued	
SGRFIV loan facilities	\$ 431,167
TSG loan facility	25,347
Total	\$ 456,514

The Company has summarized the impact of this restatement in the summarized tables below.

Consolidated Statements of Loss and Other Comprehensive Loss	Year ended December 31, 2019
Finance expense, as previously reported	\$ 1,952,870
Adjustment	456,514
Finance expense, as restated	2,409,384
Total finance expense, as previously reported	1,763,431
Adjustment	456,514
Total finance expense, as restated	2,219,945
Other comprehensive loss, net of taxes, as previously reported	18,028,078
Adjustment	456,514
Other comprehensive loss, net of taxes, as restated	18,484,592
Basic and diluted loss per common share, as previously reported	(0.09)
Adjustment	-
Basic and diluted loss per common share, as restated	\$ (0.09)

Balance Sheet	December 31, 2019
Accounts payable and accrued liabilities, as previously reported	\$ 1,431,830
Adjustment	999,989
Accounts payable and accrued liabilities, as restated	2,431,819
Total current liabilities, as previously reported	26,940,282
Adjustment	999,989
Total current liabilities, as restated	27,940,271
Total liabilities, as previously reported	27,129,657
Adjustment	999,989
Total liabilities, as restated	28,129,646
Total equity (Deficit), as previously reported	(17,069,563)
Adjustment	(999,989)
Total equity (Deficit), as restated	\$ (18,069,552)

Consolidated Statements of Cash Flows	December 31, 2019
Loss for the year, as previously reported	(17,346,659)
Adjustment	(456,514)
Loss for the year, as restated	(17,803,173)
Taxes and fees payables, as previously reported	-
Adjustment	456,514
Taxes and fees payables, as restated	456,514
Net cash used in operating activities, as previously reported	(4,716,264)
Adjustment	-
Net cash used in operating activities, as restated	(4,716,264)

23 Accounting estimates and judgements

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, depreciation and remaining useful life of assets, 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.

Material sources of estimation uncertainty include:

Estimated Mineral Production

The Group's mine assets are depleted and amortized on a units of production basis, using the expected amount of future production. The Group does not have a National Instrument 43-101 compliant resource estimate and accordingly uses expected forecasts based on available geological and technical data as a basis for the expected amount of production. Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, development of mineral resources or factors that impact the expected life of the mining operation.

Income taxes

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.

The Group'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 Group 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 Group 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 Group's current estimate of the tax liabilities. If the Group'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.

Impairment of property, plant and equipment

The Group considers both external and internal sources of information in assessing whether there are any indications that its cash generating unit ("CGU") including property, plant and equipment is impaired. External sources of information the Company considers include changes in the market, and the economic and legal environment in which the Group operates and affect the recoverable amount of mining interests. Internal sources of information the Group considers include the manner in which mining properties, plant, and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Group's property, plant and equipment, the Group makes estimates of the discounted future after-tax cash flows expected to be derived from the Group's mining properties, costs to sell the assets and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions related to future metal prices, changes in the amount of future production, and exploration potential, production cost estimates, future capital expenditures, discount rates and exchange rates.

Access to estimated future production and exploration potential of the Group's property, plant and equipment is a key assumption in determining their recoverable amounts. The ability to maintain existing or obtain necessary mining concessions, surface rights title, and water concessions is integral to the access of the production areas and exploration potential.

If the Group determines there has been an impairment because its prior estimates of discounted future cash flows have proven to be inaccurate, due to reductions in manganese prices or demand, increases in the costs of production, reductions in the amounts of production, or other factors, the Group would be required to write-down the recorded value of its property, plant and equipment or goodwill in profit and loss.

Share based compensation and mark-to-market revaluation of warrants and embedded derivatives

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees, and consultants and for the mark-to-market revaluation of share purchase warrants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options.

The Company's financial liability measured at fair value through profit and loss ("FVTPL") requires estimates of valuation inputs including extended hold period discounts, risk-free interest rates and the probability of and the timing of future financing transactions.

Any changes in these assumptions could have a material impact on the share-based compensation calculation value and mark-to-market valuation changes of derivatives and financial liabilities measured at FVTPL. The most significant estimates relate to volatility, hold period discounts and the assessment of the probability of future financing targets being met. Expected future volatility can be difficult to estimate as the Company has had limited history and historical volatility is not necessarily indicative of future volatility.

Critical management judgments:

Mineral Production, depreciation and depletion

The Group's mine assets are depleted and amortized on a units of production basis, using the expected amount of future production. Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral resources through exploration activities, difference between estimated and actual cost of mining and other factors impacting production or the expected life of mine assets. The Group does not have a National Instrument 43-101 compliant resource estimate and accordingly uses expected forecasts based on available geological and technical data as a basis for the expected amount of production.

Recoverability of exploration and evaluation assets

The Group capitalizes the acquisition costs related to its exploration and evaluation assets. This policy requires management to make certain judgments about future events and circumstances. Any such judgments may change as new information becomes available. If, after having capitalized the costs, a judgment is made that recovery of the costs is unlikely, the relevant capitalized amount will be written off to profit and loss.

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.

Company Statement of Financial Position

	Note	December 31, 2020	December 31, 2019 <i>Restated (Note 32)</i>	January 1, 2019 <i>Restated (Note 32)</i>
		\$	\$	\$
Non-current assets				
Financial fixed assets	7, 30	12,521,180	27,499,415	27,438,882
Exploration property		25,000	-	-
Intercompany loans	31	6,289,033	5,871,181	4,379,960
		18,835,213	33,370,596	31,818,842
Current assets				
Prepaid expenses and other assets		117,140	1,476	7,896
Cash at bank and on hand		4,381,442	468,876	148,996
		4,498,582	470,352	156,892
Total assets		23,333,795	33,840,948	31,975,734
Current liabilities				
Trade and other payables		(336,707)	(869,276)	(491,379)
Intercompany loans	31	(721,501)	(662,591)	(1,090,773)
Loan payable – current	26	-	(21,675,849)	-
		(1,058,208)	(23,207,716)	(1,582,152)
Non-current liabilities				
Warrants liability	29	(5,031,394)	-	(30,090)
Loan payable		-	-	(14,853,265)
Taxes and fees payables	10	(1,000,146)	-	-
		(6,031,540)	-	(14,883,355)
Total liabilities		(7,089,748)	(23,207,716)	(16,465,507)
Net assets		16,244,047	10,633,232	15,510,227
Capital and reserves				
Share capital	27	1,184,781	1,775,220	1,775,220
Share premium	27	73,841,872	58,493,031	58,493,031
Reserves		14,782,248	2,565,514	2,117,624
Accumulated deficit		(52,200,533)	(46,875,648)	(6,304,454)
Net result for the year		(21,364,321)	(5,324,885)	(40,571,194)
Shareholders' funds		16,244,047	10,633,232	15,510,227

These financial statements were approved and authorised for issue on June 16, 2021 and were signed on its behalf by:

“Gilbert Clark”
Mr. Gilbert Clark
Director
Company registered number: SE000111

“Charles Riopel”
Mr. Charles Riopel
Director

Company Statement of Changes in Equity

	Share capital	Share Premium	Reserves				Retained Earnings	TOTAL
			Convertible note reserve	Share based payments	Other reserves	Warrant reserve		
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018 (Restated (Note 32))	1,775,220	58,493,031	462,185	1,641,992	-	13,447	(46,875,648)	15,510,227
Issuance of stock options (Note 29)	-	-	-	447,890	-	-	-	447,890
Comprehensive loss for the year (Restated (Note 32))	-	-	-	-	-	-	(5,324,885)	(5,324,885)
Balance, December 31, 2019	1,775,220	58,493,031	462,185	2,089,882	-	13,447	(52,200,533)	10,633,232
Shares issued on private placement	797,207	4,048,640	-	-	-	-	-	4,845,847
Share issuance costs	-	(316,682)	-	-	-	146,002	-	(170,680)
Debt settlement transactions (Note 10 and 27)	135,105	11,557,302	-	-	10,510,445	-	244,636	22,447,488
Share surrender as gift (Note 10 and 27)	(1,531,648)	-	-	-	1,531,648	-	-	-
Share-based payments (Note 29)	-	-	-	49,266	-	-	-	49,266
Exercise of stock options	8,110	49,091	-	(20,627)	-	-	-	36,574
Exercise of warrants	787	10,490	-	-	-	-	-	11,277
Comprehensive loss for the year	-	-	-	-	-	-	(21,608,957)	(21,608,957)
Balance, December 31, 2020	1,184,781	73,841,872	462,185	2,118,521	12,042,093	159,449	(73,564,854)	16,244,047

Company Cash Flow Statement for the year ended December 31

	Note	2020 \$	2019 (Restated (Note 32)) \$
Cash flows from operating activities			
Loss for the year		(21,608,957)	(5,324,885)
<i>Adjustments for:</i>			
Accrued financial expense		417,411	1,572,584
Accrued financial interest		(477,067)	(478,221)
Mark-to-market revaluation of warrants	29	3,940,613	(30,090)
Impairment of financial fixed assets	30	16,389,038	3,011,285
Unrealized foreign exchange loss		518,321	-
Share based payments expense	29	49,266	447,890
Loss on extinguishment of debt	10	244,636	-
Gain on derivative liability to FVTPL	10	(351,270)	-
Taxes and fees payable		1,000,146	393,146
		122,137	(408,291)
Changes in non-cash working capital items:			
(Increase)/decrease prepaid expenses and other assets		(115,664)	6,420
(Increase)/decrease intercompany loans		58,124	-
(Decrease)/increase trade payables		(614,351)	(17,719)
		(671,891)	(11,299)
Net cash used in operating activities		(549,754)	(419,590)
Cash flows used in investing activities			
Intercompany loans		60,000	(1,013,000)
Intercompany investments, capital contributions	30	(1,410,803)	(3,500,000)
Acquisition of exploration and evaluation assets		(25,000)	-
Net cash used in investing activities		(1,375,803)	(4,513,000)
Cash flows from financing activities			
Proceeds from private placement financing, net of costs		5,771,724	-
Proceeds from the exercise of options		36,574	-
Proceeds from the exercise of warrants		5,501	-
Loan proceeds	26	-	5,250,000
Net cash from financing activities		5,813,799	5,250,000
Net increase/(decrease) in cash and cash equivalents		3,888,242	317,410
Cash and cash equivalents at 1 January		468,876	148,996
Effect of exchange rate fluctuations on cash held		24,324	2,470
Cash and cash equivalents at 31 December		4,381,442	468,876

Notes

(forming part of the financial statements)

24 Accounting policies

The accounting policies used for the standalone Company are consistent with the accounting policies for the Group, which have been disclosed in note 33. The accounting policies, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

25 Remuneration of directors

	2020	2019
Directors' remuneration	\$132,526	\$95,099

The following table provides information regarding compensation paid to the Company's directors during the financial period ended December 31, 2020.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based Awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Adrian McArthur ⁽²⁾	66,092	N/A	Nil	N/A	N/A	Nil	66,092
Charles Riopel	36,995	N/A	Nil	N/A	N/A	Nil	36,995
Gilbert Clark	95,532	N/A	Nil	N/A	N/A	Nil	95,532

⁽¹⁾ The value of the option-based award was determined using the Black-Scholes option-pricing model.

⁽²⁾ Amount paid through Company's subsidiary, Cancana Resources Corp.

26 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see Strategic Report.

	2020	2019
Balance, beginning of year	\$ 21,675,849	\$ 14,853,264
New borrowings (note 10 (v), (vi))	-	5,250,000
Interest expense accrued	417,411	1,572,585
Debt settlement	(22,093,260)	-
Balance, end of year	\$ -	\$ 21,675,849
Represented by:		
Current	\$ -	\$ 21,675,849
Non-current	-	-
Total	\$ -	\$ 21,675,849

During the year ended December 31, 2020, the Company entered in a series of debt restructuring agreements with Sentient Global Resources Fund IV LP and The Sentient Group Limited. Please refer to note 10 for detailed information related to the debt agreements.

The Company's loans payable consists of financial liabilities measured at amortised cost using the effective interest method, as permitted by IFRS 9.

27 Capital and Reserves

Authorized Capital

As at December 31, 2020 the Company is authorized to issue an unlimited number of common shares with a par value of €0.01.

Issued Capital

The Company has 103,788,425 (2019 - 163,822,421) issued and fully paid shares.

Share capital

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

Share premium

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

Shares issued

During the year ended December 31, 2020:

On July 15, 2020, the Company completed a non-brokered private placement of 46,766,666 units at a price of CAD \$0.075 per Unit, for gross proceeds of CAD\$3,507,500 (\$2,586,270). Each unit consists of one common share and one non-transferable common share purchase warrant. Each common share purchase warrant is exercisable at a price of CAD \$0.11 for a period of 24 months, until July 15, 2022. The Company determined that the fair value of the warrants issued was CAD \$657,330 (\$484,685). The fair value was determined by using Black-Scholes to perform an iterative calculation to allocate the actual proceeds received between the common shares and the warrants. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 1 years; annualized volatility of 103.68%; a risk free interest rate of 0.27%; and zero expected dividend yield. The Company paid finders fees of CAD \$118,732 (\$87,548) and issued 1,962,060 agent's compensation option valued at CAD \$147,155 (\$108,523) as finder's fees in connection with this private placement. The value of the agent's compensation option was determined using the same unit price of the private placement. Each agent's compensation option entitles the holder to purchase a unit at a price of CAD\$0.075 per unit expiring July 15, 2022. Each unit related to the compensation option has features consistent with the private placement. The Company incurred other share issuance costs of \$34,962 on this private placement. Total transactions costs were \$231,033 of which \$187,736 were allocated to share premium and \$43,297 were recognized through profit and loss.

On December 21, 2020, the Company completed a non-brokered private placement of 21,576,500 units at a price of CAD \$0.20 per unit, for gross proceeds of CAD \$4,315,300 (\$3,356,134). Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole share purchase warrant is exercisable at a price of CAD \$0.30 for a period of 24 months, until December 21, 2022. The Company determined that the fair value of the warrants issued was CAD \$786,742 (\$611,872). The fair value was determined by using Black-Scholes to perform an iterative calculation to allocate the actual proceeds received between the common shares and the warrants. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 2 years; annualized volatility of 113.23%; a risk free interest rate of 0.23%; and zero expected dividend yield. The Company paid finders fees of CAD \$84,205 (\$65,489) and issued 240,950 agent's compensation options valued at CAD \$48,190 (\$37,479) as finder's fees in connection with this private placement. The value of the agent's compensation option was determined using the same unit price of the private placement. Each agent's compensation option entitles the holder to purchase a unit at a price of CAD \$0.20 per unit expiring December 21, 2022. Each unit related to the compensation option has features consistent with the private placement. The Company incurred other share issuance costs of \$54,729 on this private placement. Total transactions costs were \$157,696 of which \$128,946 were allocated to share premium and \$28,750 were recognized through profit and loss.

Treasury share cancellation

On July 16, 2020, pursuant to the Share Surrender and Cancellation agreement with SGRFIV entered in June 2020 and after completion of the transactions described in the Debt Conversion Agreement described in the note 10, SGRIV has surrendered 141,011,304 common shares in the capital of the Company. Upon cancellation of the shares, the carrying nominal value of \$1,531,648 of the cancelled shares was eliminated from share capital and a corresponding entry was credited to Other Reserves, according to Companies Act 2006 rules.

The Company did not complete any share transactions during the year ended December 31, 2019.

28 Contingent liabilities

The parent company, Meridian, has guaranteed the Cancana \$1,500,000 loan facility, which is unsecured, bears interest at a rate of 10% per annum, was originally set to mature on April 30, 2018, and was subsequently extended to September 30, 2018 and then to March 31, 2020.

During the year ended December 31, 2020, Cancana settled the loan facility with Sentient Global Resources Fund IV LP. Please refer to note 10.

29 Warrants and Stock Options

The terms and conditions of the grants are as follows:

	Warrants			Stock Options		
	Number	Exercise Price	Weighted Average	Number	Exercise Price	Weighted Average
Outstanding December 31, 2018	12,794,500	CAD\$	0.65	1,050,000	CAD\$	0.44
Expired	(12,794,500)		-	(30,000)		0.44
Granted	-		-	15,200,000		0.07
Outstanding December 31, 2019	-		-	16,220,000		0.09
Expired	-		-	(1,600,303)		0.13
Granted	57,554,916		0.15	700,000		0.10
Exercised	(65,000)		0.11	(700,000)		0.07
Amendment, reduction in shares issued and outstanding ⁽ⁱ⁾	-			(7,545,031)		0.09
Outstanding December 31, 2020	57,489,916	CAD\$	0.15	7,074,666	CAD\$	0.09
Number currently exercisable	57,489,916	CAD\$	0.15	7,074,666	CAD\$	0.09

⁽ⁱ⁾ In July 2020, the Company finalized the transaction listed in the Treasury share cancellation section above, the private placement and debt restructuring transactions (Note 10) that reduced the Company's common shares issued and outstanding by 50.28%. In August, and in order to comply with the Company's stock option plan, the number of stock options issued were amended and updated to reflect this proportional reduction.

As at December 31, 2020 the following incentive stock options, share purchase warrants and agent's compensation options were outstanding:

	Number of Shares	Exercise Price (CAD)	Expiry Date	Remaining Contractual Life (years)
Stock options	397,732	\$ 0.44	May 17, 2022	1.38
	6,328,918	0.07	October 22, 2024	3.81
	348,016	0.10	June 2, 2025	4.42
Warrants	46,701,666	0.11	July 15, 2022	1.54
	10,788,250	0.30	December 21, 2022	1.97
Agent's compensation options	1,962,060	0.075	July 15, 2022	1.54
	240,950	0.20	December 21, 2022	1.97

Meridian has a stock option plan under which it is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's shares for a period preceding the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

In October 2019, the Company granted 15,200,000 options that vested immediately to directors, employees and consultants. Total share-based payments recognized in the statement of operations for the year ended December 31, 2019 was \$447,890 for incentive options granted and vested.

In June 2020, the Company granted 700,000 options that vested immediately to an officer. Total share-based payments recognized in the statement of operations for the year ended December 31, 2020 was \$49,266 for incentive options granted and vested.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the years ended on:

	December 31, 2020	December 31, 2019
Risk-free interest rate	0.39%	1.53%
Expected life of options	5 years	5 years
Expected annualized volatility	175.84%	65.11%
Dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	0.0%

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 are classified and accounted for as a derivative liability at fair value with changes in fair value included in profit or loss.

On July 15, 2020, the Company issued 46,766,666 warrants and initially allocated \$484,685 to the warrant derivative liability. On December 21, 2020, the Company issued 10,788,250 warrants and initially allocated \$611,872 to the warrants derivative liability.

During the year ended December 31, 2020, there was a derivative loss of \$3,940,613 from the mark-to-market measurement of the warrant derivative liability. The weighted average assumptions used in the Black-Scholes pricing model to calculate the fair value of the warrants were: an expected life of 1.00 year; annualized volatility of 93.69%; a risk free interest rate of 0.20%; and zero expected dividend yield.

On May 16, 2017, the Company issued 12,734,500 warrants and initially allocated \$763,269 to the warrant derivative liability. All warrants expired in the year ended in 2019. During the year ended December 31, 2019, there was a derivative gain of \$30,090 from the mark-to-market of the warrant derivative liability.

30 Non-current Assets

The movements in financial fixed assets were as follows:

	Financial fixed assets (Restated (Note 32))
Balance as at January 1, 2019	\$ 27,438,882
Capital contributions	3,500,000
Settlement of intercompany loan	(428,182)
Impairment	(3,011,285)
Balance as at December 31, 2019	\$ 27,499,415
Balance as at January 1, 2020	\$ 27,499,415
Capital contributions	1,410,803
Impairment	(16,389,038)
Balance as at December 31, 2020	\$ 12,521,180

31 Related party disclosures

	Intercompany loans receivable (payable) 2020	2019 (Restated (Note 32))
Receivable		
Meridian Mineração Jaburi S.A.	\$ 5,879,244	\$ 5,462,178
Ferrometals Management Services Canada Inc.	409,789	409,003
	<u>6,289,033</u>	<u>5,871,181</u>
Payable		
Cancana Resources Corp.	(721,501)	(662,591)
	<u>\$ (721,501)</u>	<u>\$ (662,591)</u>

Please refer to notes 10 and 26 for a summary of the non-arm's length interest-bearing loans and borrowings.

32 Restatement of Withholding Taxes Obligation and Financial Fixed Assets

During the year ended December 31, 2020, while determining the impact of settlements of the debt (Note 10) the Company concluded that a historical gross up of withholding taxes applicable under the debt agreements were previously not accrued. The Company has restated the comparative figures to correct the impact of applicable gross up of withholding taxes required to be accrued in prior years on the following loan facilities:

	Year ended December 31, 2019
Gross up withholding taxes to be accrued	
SGRFIV loan facilities	\$ 367,799
TSG loan facility	25,347
Total	<u>\$ 393,146</u>

During the year ended December 31, 2020, while determining the impact of Ferrometals BV dissolution the Company concluded that the effective date of the dissolution was December 30, 2019, and not in January 2020 when the dissolution was registered with the Netherlands Chamber of Commerce. The Company has restated the comparative figures to correct the impact of the dissolution in the Company's financial fixed assets (Note 30).

Amounts to be restated as result of Ferrometals BV dissolution	Year ended December 31, 2019
Ferrometals BV distribution related to intercompany receivable from Meridian	428,182

The Company has summarized the impact of this restatement in the summarized tables below.

Company Statement of Financial Position	December 31, 2019
Financial fixed assets, as previously reported	\$ 27,927,597
Adjustment, distribution of intercompany loan	(428,182)
Financial fixed assets, as restated	27,499,415
Total assets, as previously reported	34,269,130
Adjustment, distribution of intercompany loan	(428,182)
Total assets, as restated	33,840,948
Trade and other payables, current liabilities, as previously reported	(21,856)
Adjustment, withholding taxes	(847,420)
Trade and other payables, current liabilities, as restated	(869,276)
Intercompany loans, current liabilities, as previously reported	1,090,773
Adjustment, distribution of intercompany loan	(428,182)
Intercompany loans, current liabilities, as restated	662,591
Total liabilities, as previously reported	(22,788,478)
Adjustment, withholding taxes	(847,420)
Adjustment, distribution of intercompany loan	428,182
Total liabilities, as restated	(23,207,716)
Shareholders' funds, as previously reported	11,480,652
Adjustment, withholding taxes	(847,420)
Shareholders' funds, as restated	10,633,232

Company Cash Flow Statement	Year ended December 31, 2019
Loss for the year, as previously reported	(4,931,739)
Adjustment, withholding taxes	(393,146)
Loss for the year, as restated	(5,324,885)
(Decrease)/increase trade payables, as previously reported	(17,719)
Adjustment	393,146
(Decrease)/increase trade payables, as restated	375,427
Net cash used in operating activities, as previously reported	(419,590)
Adjustment	-
Net cash used in operating activities, as restated	(419,590)

33 Accounting policies – group and parent

Meridian Mining UK Societas, formerly Meridian Mining S.E., (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. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol MNO. The Company is currently engaged in the exploration and development of mineral deposits in Brazil, through its subsidiary, Meridian Mineração Jaburi S.A. (“Meridian Jaburi”). On December 31, 2020, the Company was converted under Articles AA1 and AAA1 of the EC Regulation on the European Public Limited-Liability company (Amended Etc.) (Eu Exit) Regulations 2018 to a United Kingdom Societas under the name of Meridian Mining UK Societas. The Company’s head office is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom. The registered number is SE000111.

33.1 Measurement convention

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 dollars, which is the functional currency of the Company.

33.2 Basis of presentation

The consolidated and Company’s financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006 and in accordance with the requirements of the Companies Act 2006 as applied to the Company.

33.3 Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Group 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 Group has incurred loss of \$7,532,259 during the year ended December 31, 2020 (2019 \$17,803,173). The Group has a working capital of \$3,361,274 at December 31, 2020 (2019 working capital deficiency of \$26,157,347).

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. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

These 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.

The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, the capacity to obtain financing to complete the development of such resources, the ability to obtain the necessary licenses and permits and meet the Company’s obligations under various agreements, stability or increases in future commodity prices, and the success of future operations or dispositions of the mineral properties.

33.4 Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company’s subsidiaries as at the statement of financial position dates and the results of all subsidiaries for the years then ended. Subsidiaries are all entities controlled by the Company. Control exists when an investor 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. Where the Company’s interest in a subsidiary is less than 100%, the Company recognizes non-

controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

These consolidated financial statements include the following 100% held entities as at December 31, 2020 and 2019:

Name of subsidiary:	Jurisdiction of Incorporation	Functional Currency
Ferrometals Management Services Canada Inc	Canada	USD
Ferrometals Serviços do Brasil Ltda ⁽ⁱ⁾	Brazil	BRL
Meridian Mineração Jaburi S.A.	Brazil	BRL
Cancana Resources Corp	Canada	CAD
Cabaçal Internacional Ltda	Brazil	BRL
Cabaçal Mineração Ltda	Brazil	BRL

⁽ⁱ⁾ During the year ended December 31, 2020 the Company was dissolved (effective date as November 27, 2020)

Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Subsidiaries are no longer consolidated from the date control ceases. Intercompany transactions, balances and unrealized gains on transactions between companies in the group are eliminated. Accounting policies of subsidiaries are updated where necessary to ensure consistency with the policies adopted by the consolidated group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of financial position, statements of loss and comprehensive loss and the statements of changes in equity. 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.

33.5 Foreign currency

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; and
- All resulting exchange differences are recognized in other comprehensive loss.

33.6 Classification of financial instruments issued by the Group

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost. The determination of the classification of financial assets is made at initial recognition.

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 statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the period.

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

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: The company recognizes a loss allowance for expected lifetime losses on trade receivables in accordance with the simplified approach of IFRS 9.

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

Financial asset	Classification
Cash	Amortized cost
Trade receivables	Amortized cost
Intercompany receivables	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 trade and other payables, provisions 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 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
Trade and other payables	Amortized cost
Loans payable	Amortized cost
Intercompany payables	Amortized cost
Derivative liability	FVTPL
Financial liability at FVTPL	FVTPL

Judgement was involved in determining the classification of the Consolidated Facility Agreement under the requirements of *IAS 32 Financial Instruments: Presentation* on the basis that the features of that contract contained an obligation to issue shares and an option to settle in cash or early in shares. It was determined that on the basis that the number of shares to be issued was fixed or determinable, and that there was no obligation to deliver cash, and on the basis that the instrument was considered a non-derivative (as based on the definition in IFRS 9) that the instrument could be accounted for as an equity instrument and that was the policy chosen.

33.7 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, labor 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, other than mine assets not related to future environmental provisions, is depreciated on a straight-line basis. Mine assets, are depreciated on a units of production basis, using management's best estimates of resources related to the specific mine asset.

Vehicles	5 years
Machinery and Equipment	10 years
Office furniture, communication and computer equipment	10 years
Buildings	10 years
Mine Assets	Units of Production

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.

33.8 Production costs

Production costs consists of costs of conversion including the costs of extraction, conversion, direct labour and production overheads included in the measurement of inventory sold during the period. Period costs, such as standby and re-commissioning costs, are not allocated to inventory but charged directly to operating expenses.

Recommissioning and standby costs, such as salaries and employment benefits, taxes, utilities and maintenance during the temporary shutdown of a plant, which would normally be treated as production costs and charged to inventory are treated as abnormal costs and expensed in the period incurred.

33.9 Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that the carrying values of the assets may not be recoverable. If such an indication of impairment exists, an impairment loss is calculated as the amount by which the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal, or, value in use (the discounted presented value of future cash flows). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash generating units). Any impairment would be reversed in future periods if the conditions that gave rise to the original impairment no longer apply. The impairment reversal would be limited to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years.

33.10 Employee benefits

Share-based payment transactions

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, 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.

33.11 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.

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 liability is measured at the present value of estimated future cash outflows representing the estimated cost of rehabilitation adjusted for risks specific to the liability. 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 and generally expensed 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.

33.12 Revenue

Revenue is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to be entitled to in exchange for the transferring of promised goods. The Company earns revenue from customers related to the sale of manganese ore.

Control is achieved when a product is delivered to the customer, we have a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product. In general, control over manganese ore from export sales is transferred to the customer and revenue is recognized when the material is assayed and loaded at the Brazilian port and for local sales, control over the manganese ore is transferred when the ore is loaded onto trucks at the stockpile warehouse.

33.13 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 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 carrying values of capitalized amounts are reviewed when indicators of impairment are present. If it is determined that capitalized exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

33.14 Taxation

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 in other comprehensive income or directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates and laws 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 and laws 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.

33.15 Investment in subsidiaries

Investments in subsidiaries are initially recorded at cost. The carrying values of fixed financial assets are subject to review for impairment at least at each reporting date. Fixed financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. The process undertaken to review impairment in the year ended December 31, 2020 comprised of the calculation of enterprise value less costs of disposal.

33.16 Adopted IFRS not yet applied

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.