

# **MERYLLION**

R e s o u r c e s

**MERYLLION RESOURCES CORP.**  
**Management's Discussion and Analysis**  
**Three and Six months ended March 31, 2014**  
(Unaudited)  
(Expressed in Canadian Dollars)

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*(Unaudited)*

*(In Canadian Dollars unless otherwise stated)*

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*This Management's Discussion and Analysis ("MD&A") of Meryllion Resources Corp. should be read in conjunction with the Company's condensed consolidated financial statements and related notes for the three and six months ended March 31, 2014. The Company's condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements and related notes for the twelve months ended September 30, 2013, prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to May 22, 2014.*

**1. OVERVIEW**

Meryllion Resources Corp. was incorporated on July 25, 2013 under the laws of British Columbia, Canada. Meryllion Resources Corp. together with its subsidiaries (collectively known as "Meryllion" or the "Company") is a natural resource company, at the exploration stage, engaged in the acquisition and exploration of resource properties in South America with its focus on the advancement of its Providencia and Cerro Amarillo Projects. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol MYR.

Additional disclosures pertaining to the Company's filings, technical reports, press releases and other information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**2. BACKGROUND**

On July 25, 2013, Kaizen Discovery Inc. formerly Concordia Resource Corp. ("Concordia") incorporated a wholly-owned subsidiary Meryllion Resources Corp. (the subsidiary of Concordia is referred to as "MRC") under the Business Corporations Act of British Columbia. In October, 2013, Concordia and MRC entered into a vend-in agreement (the "Vend-In Agreement"), whereby MRC issued 17,125,510 common shares to Concordia in exchange for approximately \$4,700,000 in cash, subject to closing adjustments, and Concordia's 100% interest in Meryllion Minerals Corporation ("MMC"). The Vend-In Agreement resulted in MRC controlling a 100% interest in MMC and Concordia's indirect interest in the Providencia and Cerro Amarillo Projects and the related assets in Meryllion Argentina SA ("MAS"), a wholly-owned subsidiary of MMC (together called the "Argentine Assets").

On December 4, 2013, Concordia completed a Plan of Arrangement (the "Arrangement") under the Business Corporations Act of British Columbia whereby it distributed 100% of its interest in MRC to its shareholders. Concurrently with the completion of the Arrangement, Meryllion obtained approval to list its common shares on the TSX-V and began trading under the ticker symbol MYR on December 6, 2013. The Company has completed a portion of the closing adjustments and the net amount of cash received by the Company after these adjustments was \$4,583,202. The Company is currently in the process of gathering all necessary information for the final closing adjustment and any further adjustments will change the amount of share capital in the Company by a corresponding amount.

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**2. BACKGROUND (Continued)**

The Company's consolidated results of operations, financial position and cash flows for the comparative periods prior to the three and six months ended and as at March 31, 2014, reflect the assets, liabilities, and expenses directly attributable to the Argentine Assets and management's estimates of general and administration expenses directly related to the operations. The allocation of general and administrative expenses was calculated on the basis of the ratio of expenditures incurred on the Providencia and Cerro Amarillo Projects as compared to the expenditures incurred on all of Concordia's properties during each quarter. The contributed surplus of the Company as at October 1, 2013 of \$9,863,711 represents the cash advances and historic allocation of general and administrative expenses from Concordia to that date. The Company allocated an additional \$16,365 of Concordia's general and administrative expenses for the period covering October 1, 2013 to December 4, 2013. Upon closing of the Arrangement \$10,228,178 representing the aggregate contribution by Concordia up to the closing of the Arrangement, was transferred to share capital of the Company.

Management cautions readers that the allocation of historic expenses may not be indicative of the actual expenses that would have been incurred, and do not reflect the Company's consolidated results of operations, financial position and cash flows, had the Company been operating as a separate, stand-alone public company for the periods presented.

**3. CORPORATE ACTIVITY**

Key corporate developments for the Company for the six months ended March 31, 2014 and to the date of the MD&A are discussed below.

On October 1, 2013 the Company entered into a Definitive Corporate Structure and Administration Agreement with Fitzcarraldo Ventures Inc. and Willem Fuchter (combined the "FVI"), whereby FVI agreed to relinquish its right under a previous agreement for a 10% equity interest in the Company upon listing on the TSX Venture Exchange. In exchange, the Company granted FVI a 1% net smelter returns royalty ("NSR") on the Providencia and Cerro Amarillo Projects (the "FVI NSR"). The Company has a right until September 30, 2018 to buy one-half of the FVI NSR for US\$500,000.

On October 1, 2013, MRC entered into a Vend-In Agreement with Concordia whereby the Company received \$4,583,202 from Concordia and Concordia's interest in MMC. The final amount of cash transferred from Concordia is subject to further post-closing adjustments.

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**3. CORPORATE ACTIVITY (Continued)**

On December 4, 2013, the Concordia shareholders approved the Arrangement for the spin-out of Concordia's interest in MRC to the Concordia shareholders and the common shares of MRC began trading on the TSX-V under the name Meryllion Resources Corp. and the symbol MYR.

On December 12, 2013, the Company granted 1,875,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.30 per share for a five year period.

On January 6, 2014, the Company announced that it had appointed Saurabh Handa as Chief Financial Officer and Alex Bayer as Chief Legal Officer and Corporate Secretary both effective January 6, 2014.

On January 20, 2014, the Company announced it had commenced its austral summer campaign of exploration at its Cerro Amarillo Project in west central Argentina.

On April 7, 2014, the Company announced the appointment of Apex Capital Inc. to provide investor relations and corporate communications services to the Company.

**4. TRENDS AND OUTLOOK**

Meryllion is an exploration company with its focus on South America. It has a highly qualified team of professionals engaged in exploration activities and the search for quality resource opportunities. The Company's goal is to discover and develop mineral projects that can significantly add value to its shareholders while building for the future. The Company has set realistic targets for each of the projects currently under development and will make decisions to progress the properties based entirely on the results generated from those properties and the perceived risks and expenses associated with taking those properties to the next phase of development.

The Company believes its current working capital is sufficient to maintain its core operations for the duration of its fiscal year, however, additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing at terms that are acceptable to the Company will be available. The inability to obtain additional financing would have a direct impact on the Company's ability to continue as a going concern.

The Company is currently preparing a National Instrument ("NI") 43-101 technical report for its Cerro Amarillo Project setting out the results of exploration to-date together with a drill proposal for the first-stage target testing. For the Providencia Project the Company is currently exploring strategic options.

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**5. SUMMARY OF SELECTED QUARTERLY RESULTS**

*(Amounts are expressed in thousands of Canadian dollars, except per-share amounts)*

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total assets	\$ 3,913	\$ 4,742	\$ 798	\$ 851	\$ 844	\$ 752	\$ 740	\$ 678
Mineral interests	991	788	764	770	733	569	562	440
Evaluation and exploration expenses	(510)	(584)	(187)	(168)	(155)	(202)	(155)	(468)
Net loss for the period	(874)	(1,058)	(355)	(260)	(663)	(301)	(582)	(752)
Comprehensive loss for the period	(836)	(1,296)	(371)	(233)	(648)	(293)	(607)	(740)
Basic and diluted loss per share	(0.05)	(0.21)	(0.02)	(0.01)	(0.04)	(0.02)	(0.03)	(0.04)

*Note: Quarterly amounts added together may not equal the total reported for the period due to rounding.*

Total assets and mineral interests increased over the eight quarters mainly due to the option payments made on the Providencia and Cerro Amarillo properties and due to the cash received as part of the Vend-In Agreement in the first quarter of 2014. The Company's changes in financial results on a quarter by quarter basis are due primarily to fluctuations in the level of exploration activity and administration costs. The net loss and comprehensive loss for the second quarter of 2014 is higher than most prior periods due to additional exploration expenses on the Company's Cerro Amarillo Project incurred during Argentina's summer months.

**6. RESULTS OF OPERATIONS**

The operating results of junior mining companies can fluctuate significantly from period to period. The Company is in the exploration stage and has no revenue from operations.

**Review of Quarterly Financial Results - Three months ended March 31, 2014 ("Q2 2014") compared to the Three months ended March 31, 2013 ("Q2 2013")**

The Company recorded a net loss of \$874,208 for Q2 2014, as compared to a net loss of \$663,010 for Q2 2013. The increase in the loss of \$211,198 was attributable to the following material items:

Salaries and benefits were \$163,435 for Q2 2014, as compared to \$386,979 for Q2 2013. This decrease of \$223,544 was related to termination costs of \$258,882 that were incurred in the 2013 period and not incurred in the 2014 period.

Evaluation and exploration expenses were \$510,353 for Q2 2014 as compared to \$155,336 for Q2 2013. This increase of \$355,017 was related to the increased level of exploration activities in the 2014 period for the Company's Cerro Amarillo Project.

The Company recorded a foreign exchange gain of \$83,205 in Q2 2014 compared to \$11,107 in Q2 2013, this amount will fluctuate on a period to period basis as a result of changes in market exchange rates.

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**6. RESULTS OF OPERATIONS (Continued)**

**Review of Year-to-Date Financial Results – Six months ended March 31, 2014 (“YTD 2014”) compared to the Six months ended March 31, 2013 (“YTD 2013”)**

The Company recorded a net loss of \$1,932,528 for YTD 2014, as compared to a net loss of \$963,803 for YTD 2013. The increase in the loss of \$968,725 was attributable to the following material items:

Professional fees were \$376,542 for YTD 2014, as compared to \$48,828 for YTD 2013. This increase of \$327,714 was related primarily to additional one-time costs the Company incurred as part of the close of the Arrangement and the Company's public listing in December 2013.

Salaries and benefits were \$231,143 for YTD 2014, as compared to \$434,219 for YTD 2013. This decrease of \$203,076 was primarily related to termination costs of \$258,882 that were incurred in YTD 2013 and not incurred in YTD 2014. This amount was partially offset by increased salaries in YTD 2014 as the Company has expanded its management team due to the public listing in December 2013.

Share-based compensation was \$204,917 for YTD 2014 as compared to \$19,103 for YTD 2013. This increase of \$185,814 was related to the stock options granted by the Company in December 2013. In the past the Company's share-based compensation was an allocation of the total amount from Concordia as discussed in Note 2 of the condensed consolidated financial statements.

Evaluation and exploration expenses were \$1,094,270 for YTD 2014 as compared to \$357,730 for YTD 2013. This increase of \$736,540 was related to the increased level of exploration activities in the period for the Company's Cerro Amarillo Project.

The Company recorded a foreign exchange gain of \$199,796 in YTD 2014 compared to \$12,129 in YTD 2013, this amount will fluctuate on a period to period basis as a result of changes in market exchange rates.

**7. MINERAL INTERESTS**

Through the Company's wholly-owned subsidiaries, the Company controls exploration concessions in Argentina classified by the Company as the Cerro Amarillo Project and Providencia Project.

On October 1, 2013, the Company granted Fitzcarraldo Ventures Inc. and Willem Fuchter (combined the “FVI”) a 1% NSR on the Providencia and Cerro Amarillo Projects (the “FVI NSR”). The Company has the right to buy half of the FVI NSR for US\$500,000 until September 30, 2018. The FVI NSR is in addition to any NSR royalties granted on each option agreement as detailed below.

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**7. MINERAL INTERESTS (Continued)**

**(a) Cerro Amarillo Project, Argentina**

The Cerro Amarillo Project is a Copper-Gold-Molybdenum porphyry project located in West-Central Argentina, and lies at the southern end of the highly productive late Miocene – Pliocene magmatic arc that hosts the El Teniente and Los Bronces porphyry deposits in Chile. The property comprises some 16,740 hectares and contains a cluster of mineralized porphyry complexes, including five which are believed by the Company to be prospective. These are Cerro Apero (formerly Cerro Amarillo), Vaca de Cobre, Cerro Choro, Cajon Grande, and La Blanca (formerly C4). The porphyry prospects lie in a northeast-trending corridor with Cerro Apero and Vaca de Cobre in the northeast, Cerro Choro and Cajon Grande in the center, and La Blanca in the southwest of the 14 km x 11 km property.

**Cerro Amarillo Project – Option Agreement**

Under the terms of the option agreement on Cerro Amarillo, entered into in October 2010, and amended in early 2012, the Company has the exclusive right to engage in exploration activities on the properties for up to 76 months before exercising its option to acquire a 100% interest in the properties. The option is exercisable by the Company at any time; however, so long as the exploration program is ongoing the Company must make payments to the owners of the property, which payments will total US\$700,000 as follows:

- US\$25,000 – paid in 2010
- US\$50,000 – paid in 2011
- US\$50,000 – paid in 2012
- US\$75,000 – paid in 2013
- US\$100,000 – paid in 2014
- US\$150,000 – payable in 2015
- US\$250,000 – payable in 2016

When the option is exercised, the Company will pay a final purchase price of US\$2,500,000. The owners of the property will also be entitled to a 1% NSR in the event the properties are placed into commercial production, which the Company may purchase for US\$3,000,000. In 2012, the owners applied for an additional and contiguous 2,500 hectares directly to the south of the original property and included this area in the original agreement by signing an addendum to the option agreement.

**Cerro Amarillo Project – Exploration**

The Company has conducted exploration campaigns on the property during the austral summers of 2011/2012 and 2013/2014. During the 2011/2012 campaign, detailed mapping and rock grab-sampling identified and defined the Cerro Apero and Cajon Grande prospects, and reconnaissance-scale mapping and sampling identified and refined the La Blanca prospect.

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**7. MINERAL INTERESTS (Continued)**

The 2013/2014 exploration program consisted of mapping and sampling at the newly recognized Vaca de Cobre prospect, and further detailed follow-up work at La Blanca. In addition, close-spaced and locally gridded geochemical surveys were completed over prospects La Blanca, Cajon Grande, Cerro Choro, and Vaca de Cobre. Ground geophysical surveys (IP and ground magnetics) were completed at Cerro Apero and Cajon Grande, and an airborne magnetic and radiometric survey was conducted over the entire property. As well, the Company continued its routine reconnaissance-scale prospecting and mapping program, following-up on color anomalies over other portions of the property.

Results to date have confirmed the presence of mineralization at the four prospects Cerro Apero, Vaca de Cobre, Cajon Grande, and La Blanca originally identified by satellite color-anomalies, and have indicated the presence of alteration and mineralization at the partially-covered Cerro Choro prospect.

**Cerro Amarillo Project – The Prospects**

***Cerro Apero Prospect***

Cerro Apero is the northeastern-most prospect and presents as a classical porphyry-style mineralized system which includes numerous styles of mineralization including stockwork, disseminated, breccias, skarn, and veins. These appear zoned outward from a central quartz diorite porphyry plug which contains abundant well-developed quartz+magnetite vein stockworks and disseminated chalcopyrite. This plug is surrounded by mineralized hydrothermal breccias with abundant pyrite which may present an excellent supergene setting for trapping of remobilized leached copper and gold. Skarn mineralization, developed within shallow-dipping calcareous sedimentary sequence, outcrops as an almost perfect ring surrounding this porphyry body, at the intersection with vertical, cylindrical breccia bodies. Sparse, peripheral veins containing barite, hematite, galena, and sphalerite occur out to a radius of approximately one kilometer.

***Vaca de Cobre Prospect***

Work to-date at Vaca de Cobre suggests it has the potential to host a classical porphyry-copper style intrusive complex, and has a mineralized core of potassic alteration and a halo of albite+pyrite alteration. The system is exposed at a level where the potassic alteration is partially overprinted by propylitic and albite+pyrite alteration. This is typically the ideal level in these systems for precipitation of chalcopyrite. The potassic core is somewhat larger than that at Cerro Apero, and the regional aeromagnetic data suggests it may increase with depth. The system does not appear to have the classic shell of phyllic-altered breccia, and since the prospect lacks the calcareous sedimentary sequence seen at Cerro Apero, there are no skarns. While the breadth of Vaca de Cobre is somewhat smaller than the Cajon Grande system, the persistent presence of chalcopyrite throughout the potassic alteration zone indicates a better developed mineralization event than at any of the other four prospects presently recognized on the property.



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**7. MINERAL INTERESTS (Continued)**

***Cerro Choro Prospect***

Cerro Choro is a previously unrecognized system of muted alteration and vein sets – this area is not characterised by the satellite image color-anomalies which identified the other prospects. The prospect is underlain by a hornblende quartz diorite porphyry intrusion which the airborne magnetics suggest may be linked to/fed by sills at greater depth. The intrusion outcrops at the very crest of Cerro Choro but is overlain by young volcanics and volcanoclastics along its western flank, which largely cover the system. Easterly-trending vein sets and associated phyllic alteration envelopes exposed at the higher elevations here, and largely dipping to the south, have shed scree, samples of which have returned very anomalous results indicating the presence of high-grade precious metal mineralization.

***Cajon Grande Prospect***

At Cajon Grande the porphyry intrusions exhibit copper+gold+molybdenum mineralization and associated hydrothermal alteration. The alteration includes an early-stage potassic event (quartz+biotite) with associated copper. This was followed by an intense stockwork-veining with associated sodic-calcic alteration (actinolite+albite±sericite). Most of the copper seems associated with the later event which also has associated magnetite. In addition, low-temperature, sub-epithermal, barite+siderite+sulphide veins occur distal to the porphyry system, in a classic zoned pattern.

***La Blanca Prospect***

The La Blanca system lies in the southwestern-most extent of the property and has the potential to host large zones of mineralized porphyry and breccia. There is an extensive hydrothermal alteration developed over a six km strike, and includes zones of quartz+pyrite with argillic overprinting developed over a strike of at least two km and extending out into shears and peripheral breccia zones. During the most recent mapping campaign, three breccia bodies were discovered. The shape and character of these breccia bodies suggest they are hydrothermal, intrusive breccia pipes typical of some mineralized porphyry systems:

The La Blanca main breccia pipe forms an elliptical, 600 m by 400 m outcrop, within a complex plug of diorite and microdiorite porphyry approximately 1500 m in diameter. A zone of crackle breccia and stockwork veins extends up to 100 m into the wall rock surrounding this pipe. Breccia clasts include diorite wallrock and quartz-dacite porphyry, and range in size from a few mm to several m, and are angular to sub-angular in shape. The matrix between the fragments is dominated by gossan developed after sulphide, with minor quartz, hematite, calcite and gypsum. Secondary copper minerals (malachite+azurite) have been observed in some outcrops and float samples near the southern end of this pipe. The host diorite complex exhibits moderate to strong potassic (biotite+magnetite) alteration, while the breccia and surrounding crackle zone is strongly phyllicly (quartz+sericite+pyrite) altered. A broad halo of albite +/- pyrite alteration surrounds the pipe and overprints the potassic alteration in the host diorite and andesitic volcanics. Some clasts within the main pipe contain stockwork "A" type quartz veins; similar stockworks were observed in the diorite surrounding the north end of the pipe. Veins of this "A" type are commonly associated with major porphyry-copper style ore bodies.

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**7. MINERAL INTERESTS (Continued)**

The La Blanca second breccia pipe outcrops in a 150 m by 100 m irregular shape, within a sequence of andesitic tuffs and volcanics. Clasts are mostly andesitic wallrocks and quartz-dacite porphyry, angular in shape and range up to 10 cm in size. Matrix between the clasts includes gossan, pyrite and comb-textured quartz. The breccia has strong phyllic (quartz+sericite+pyrite) alteration which extends a short distance into the surrounding volcanics.

The La Blanca third pipe is almost circular in outcrop and approximately 70 m in diameter, and occurs within a complex of diorite porphyries similar to those at the main pipe. The breccia comprising the eastern margin of the pipe has angular clasts with albite+chlorite alteration and a matrix of chlorite+specular hematite. The breccia in the core of the pipe has sub-rounded clasts with sericite+quartz+pyrite alteration and well-developed matrix of gossan after sulphide+quartz. The diorite surrounding the pipe has irregular zones of chlorite+magnetite and albite+chlorite alteration.

**Cerro Amarillo Project – The 2013/2014 Field Program**

***Geological Mapping and Geochemical Sampling***

Some 1,372 geochemical samples were collected during the 2013/2014 field season both in support of the regional mapping and prospecting campaign and as detailed work on the four prospects. Of this amount, 354 grab samples were taken in support of detailed mapping over the prospect areas of La Blanca, Vaca de Cobre, and Cerro Choro, as well as in reconnaissance mapping and general prospecting in the rest of the property. The balance of 1,018 sample comprised detailed geochemical programs over the prospect areas of La Blanca East (123 samples), Cajon Grande (444 samples), Cerro Choro (351 samples), and Vaca de Cobre (100 samples), done in order to better define the distribution of mineralization identified from the mapping program. Sampling was done on grids laid out at Cajon Grande and Vaca de Cobre where access was possible, albeit difficult; and lithological or lag samples were collected depending upon the availability of outcrop.

In topographically challenging areas where grids could not be easily laid-out, a two-pronged protocol was employed which consisting of collecting rock samples along accessible ridge crests and of sampling talus/scree along traverses skirting the base of talus slopes. The La Blanca and Cerro Choro prospects were sampled this way. Rock samples averaged 1.0 – 2.0 kg of material at each locality; talus and lag samples comprised the -8 mm /+2 mm fraction, with some 0.5 – 1.0 kg of material collected. All samples were collected in accordance with accepted industry standards and best practices, and samples were submitted to the accredited facilities of ALS in Mendoza, Argentina in accordance with proper chain-of-custody protocols.

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**7. MINERAL INTERESTS (Continued)**

***Geophysical Surveys***

Induced Polarization ("IP") surveys were conducted by Quantec Geoscience employing a novel 2D/3D DC Resistivity and IP system comprising conventional equipment, a GDD TxII 5kW IP Transmitter ("Tx"), and an Iris Elrec Pro IP Receiver ("Rx"). Survey grids were positioned on Cerro Apero and Cajon Grande prospects with each grid consisting of two orthogonal lines intersecting at the center of the mineralized zone within each porphyry system. At each prospect, standard 2D in-line IP and resistivity data were collected along both orthogonal lines with results plotted in pseudo-section format. While collecting data for the 2D in-line model (i.e. Rx and Tx electrodes along the same line), data was coincidentally collected along a string of Rx electrodes placed along the orthogonal cross-line and connected to a second receiver. This provides off-line information which is incorporated into a quasi-3D inversion of all data collected for the prospect. Basic survey parameters were: a = 100 m, n = 1 - 8, and array = pole-dipole. In addition, ground magnetic data were collected along the IP lines. The program was supported by helicopter to move personnel and equipment onto, off, and between the prospects.

The survey data has outlined chargeable material with corresponding high resistivity at both at Cajon Grande and Cerro Apero, suggesting the presence of sulphide mineralization. At Cajon Grande, a buried ~300 m deep IP anomaly of considerable intensity is located directly under the mapped area of microdiorite porphyry plug and represents a large drill target. At Cerro Apero, the majority of the IP response appears as a gently dipping body related to the mapped skarn. These data suggest that potential skarn mineralization is larger than mapped at surface, and has outlined specific targets for possible drill testing.

In addition to the ground geophysics, a 1,431 line-km, helicopter-borne, terrain-draped magnetic and spectrometric survey was conducted over the entire Cerro Amarillo property. The survey was carried out by New-Sense Geophysics Ltd using a Eurocopter 350 B3 helicopter operated by Helicopters AR. Lines were flown N-S at a spacing of 175 m, with tie-lines at a spacing of 1500 m flown at right-angle to the survey to provide further control. Nominal mean terrain clearance was 30 m (subject to on-sight safety judgement by the pilot-in-command), and sampling interval was 10 Hz for magnetics and 1 Hz for radiometrics.

**Cerro Amarillo Project – Future Plans**

Exploration carried to-date confirms the over-all potential of the systems as well as specific anomalies which require further testing. Moreover, each system has a large-scale footprint indicating large-tonnage Cu-Au-Mo potential. This, together with, Cerro Amarillo's geological similarity to the world class El Teniente and Los Bronces deposits as well as its location within the extension of the same Neogene magmatic arc are positive indications for future exploration success. The Company is currently preparing a NI 43-101 technical report setting out the results together with a drill proposal for first-stage target testing. Meryllion has, furthermore, complied with all the necessary requirements for the issuing of a *Declaración de Impacto Ambiental* and has submitted the final application (Environmental Impact Report Stage II) to the relevant authorities for the necessary permits to conduct a first stage drilling campaign.

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**7. MINERAL INTERESTS (Continued)**

**(b) Providencia Project, Argentina**

The Providencia Project is a Silver-Copper prospect located in North-West Argentina and is made up of a number of properties each subject to their own option agreement. The Providencia Project comprises mineral concessions situated at 4,200 m above sea level and some 260 km by good road from San Salvador de Jujuy, the capital of the Jujuy Province. The focus on the property has been the mineralization of the La Providencia silver deposit which was discovered in 1969 and produced some five million ounces of silver between 1986 and 1997. In 2012, the Company completed a 4,500 m diamond drilling program and contracted independent consultants Roscoe Postle Associates Inc. ("RPA") of Vancouver Canada to prepare a resource estimate.

**Providencia Project - Option Agreements**

The Providencia Project comprises option agreements on the following properties:

- La Providencia & M. Tola properties
- M. Olaroz Chico property
- Libertad property
- Cerro Galán, Coyaguaima, Coranzulí, Panizos, and Nazarena properties

The material terms of each of the option agreements above are set out in the Company's MD&A for the three months ended December 31, 2013 a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.meryllionresources.com](http://www.meryllionresources.com).

**Providencia Project - Resource Estimate**

The focus of the Providencia Project is the La Providencia silver deposit which was discovered in 1969 and between 1986 and 1997 produced some five million ounces of silver from four shallow pits with ore averaging 548 g/t Ag. Mineralization is hosted by a gently-dipping, poorly consolidated, green conglomerate unit which is sandwiched between overlying white sandstones and underlying pink mudstones and sandstone. Compilation of previous exploration data, as well as confirmation mapping and sampling have indicated the presence of a number of mineralized lenses within the conglomerate unit, but mineralization also is found in the white sandstone when it is positioned immediately above a set of steeply-dipping mineralized structures.

The results from the 2012 drill program confirmed that mineralization continues under the mined areas and in the periphery of the open-pits, extending for up to 150 m down-dip to the east, 600 m along strike, and significant grade has been intersected with down-hole thicknesses averaging some 17 m (> 25 g/t Ag). Mineralization remains open to the north and at-depth.

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**7. MINERAL INTERESTS (Continued)**

The Company retained RPA to review and report on the results of the drilling program and prepare a preliminary NI 43-101 compliant resource estimate. RPA's estimate for in-pit and underground resources totals 5.4 million ounces of silver in the Inferred category.

**Inferred Mineral Resource - Providencia Project as at August 31, 2012**

	<b>Cut-Off (g/t Ag)</b>	<b>Tonnes</b>	<b>Ag (g/t)</b>	<b>Cu (%)</b>	<b>Ag (oz)</b>	<b>Cu (lb)</b>
In-pit	40	981,000	155	0.074	4,900,000	72,400
Underground	150	32,900	504	0.249	533,000	8,180
<b>Total</b>		<b>1,014,000</b>	<b>166</b>	<b>0.080</b>	<b>5,430,000</b>	<b>80,600</b>

*Notes:*

1. *Canadian Institute of Mining ("CIM") definitions were followed for Mineral Resources.*
2. *Mineral Resources are estimated at the cut-off grades of 40 g/t Ag for open pit and 150 g/t Ag for underground.*
3. *Mineral Resources are estimated using a long-term silver price of US\$27 per ounce.*
4. *A nominal minimum mining width of 3 m was used.*
5. *Bulk density is 2.40 t/m<sup>3</sup>.*
6. *Numbers may not add due to rounding.*

The estimate was prepared in accordance with NI 43-101 as well as CIM Definition Standards for Mineral Resources and Mineral Reserves (2010), and is supported by the Company's 41 drill holes completed from its first stage drilling program, as well as the 26 holes undertaken by previous owner Cardero Resource Corp. during 2003 and 2004. On average, holes were drilled every 50 m along fences positioned 50 m apart. The resource estimate, used inverse-distance cubed methods, and was prepared from interpreted cross-sections and longitudinal-sections from which wireframe models of the geology and mineralization were developed. These formed the basis for a block model on which pit shells were subsequently superimposed.

A more detailed account of the Company's exploration activities on the Providencia Project can be found in the technical report entitled "Technical Report on the Providencia Silver Project, Jujuy Province, Argentina" dated October 16, 2013 (the "Technical Report") and prepared by David W. Rennie, PEng of RPA. This Technical Report is available on SEDAR at [www.sedar.com](http://www.sedar.com)

The drilling not only provided the basis for the preliminary estimate but has indicated the potential to expand these resources significantly between the pits by further drilling and extend it along a well mineralized structure trending north-west from the two northerly pits. In addition, there are further targets worthy of drill testing on the property.

**(c) Qualified Person**

Dr. Willem Fuchter P.Geol, CEO of Meryllion Argentina SA, a qualified person for the purposes of NI 43-101, has approved the scientific and technical information in this MD&A.

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**8. FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

All of the Company's financial instruments are classified into one of two categories: loans-and-receivables or other-financial-liabilities. All financial instruments are measured in the consolidated statement of financial position at fair value initially. Subsequent measurement and changes in fair value will depend on their initial classification. Loans-and-receivables and other-financial-liabilities are measured at amortized cost.

The Company has designated its cash and cash equivalents and accounts receivable as loans-and-receivables and accounts payable and accrued liabilities as other-financial-liabilities. Cash and cash equivalents and accounts receivable are included in current assets due to their short term nature. Accounts payable and accrued liabilities are included in current liabilities due to their short-term nature.

The Company's financial instruments as at March 31, 2014 are as follows:

	As at	
	March 31, 2014	September 30, 2013
<b>Financial assets</b>		
Loans-and-receivables		
Cash and cash equivalents	\$ 2,759,487	\$ 27,767
Accounts receivable	11,969	1,419
<b>Total financial assets</b>	<b>\$ 2,771,456</b>	<b>\$ 29,186</b>
<b>Financial liabilities</b>		
Other-financial-liabilities		
Accounts payable and accrued liabilities	\$ 154,737	\$ 60,376
<b>Total financial liabilities</b>	<b>\$ 154,737</b>	<b>\$ 60,376</b>

Additional financial instruments disclosure is contained in Note 4 of the Company's condensed consolidated financial statements for the six months ended March 31, 2014.

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**9. LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital as at March 31, 2014 was \$2,738,970 as compared to a working capital deficiency of \$26,105 at September 30, 2013. Included in working capital were cash and cash equivalents of \$2,759,487 (September 30, 2013 - \$27,767). In October 2013, the Company received approximately \$4,700,000 in cash, subject to post-closing adjustments, from Concordia in accordance with the Vend-In Agreement. After post-closing adjustments, the Company received \$4,583,202 in cash, with this amount being subject to one further post-closing adjustment in the future.

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the Company's exploration programs.

The Company is not now and does not expect in the future, to be engaged in currency hedging to offset any risk of currency fluctuations.

**(b) Capital Resources**

The Company's focus for the current fiscal year and going forward is the advancement and development of its exploration projects. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with its exploration activities and general and administrative activities. The Company believes its current working capital is sufficient to maintain its core operations for the remainder of the fiscal year, however, additional funding will be required by the Company to complete its strategic objectives and continue as a going concern.

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The Company will be relying on further equity financing, debt financing or joint-venture partnerships as the most likely source of funds for the advancement of the Company's exploration assets to a resource delineation or feasibility stage. In the future the Company may also receive additional funds through the exercise of stock options. If adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate various programs.

Although the Company has successfully raised capital in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at acceptable terms.

**(c) Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than those disclosed under mineral interests.

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**9. LIQUIDITY AND CAPITAL RESOURCES (Continued)**

**(d) Proposed Transactions**

The Company has no proposed transactions.

**(e) Commitments**

As at March 31, 2014, the Company has mineral interest commitments at its Providencia and Cerro Amarillo Projects in the form of option payments and minimum work commitments for various mineral exploration concessions.

The Company also has minimum rental and operating expense payments for the Company's office spaces in Vancouver and in Buenos Aires, with the leases concluding on December 31, 2014 and January 31, 2017, respectively.

The Company's commitments for these items as at March 31, 2014 were as follows:

	As at March 31, 2014				Total
	Within 2014	2015 to 2016	2017 to 2018	After 2018	
<b>Mineral interest commitments</b>					
Providencia Project					
La Providencia & M. Tola properties	\$ 60,792	\$ 552,650	\$ 331,590	\$ -	\$ 945,032
M. Olaroz Chico properties	39,791	149,216	348,170	487,437	1,024,614
Libertad property	4,421	16,580	38,686	54,160	113,847
Cerro Galán, Coyaguaima, Coranzulí, Panizos & Nazarena properties	27,633	138,163	110,530	-	276,326
Cerro Amarillo Project					
Cerro Amarillo property	-	442,120	-	-	442,120
<b>Total mineral interest commitments</b>	<b>132,637</b>	<b>1,298,729</b>	<b>828,976</b>	<b>541,597</b>	<b>2,801,939</b>
Minimum rental commitments	50,148	44,851	2,154	-	97,153
<b>Total commitments</b>	<b>\$ 182,785</b>	<b>\$1,343,580</b>	<b>\$ 831,130</b>	<b>\$ 541,597</b>	<b>\$2,899,092</b>



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**10. RELATED PARTY TRANSACTIONS**

**(a) Key management compensation**

The remuneration of the Company's Directors (David Birkenshaw, Terry Krepiakovich, Greg Shenton, Borden Putnam and John Fognani), and other members of key management, being the Chief Executive Officer (Terry Krepiakovich) and the Chief Financial Officer (Saurabh Handa), who have the authority and responsibility for planning, directing and controlling the activities of the Company, consist of the following amounts:

	<b>Six months ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Short-term benefits <sup>(1)</sup>	\$ 426,175	\$ 104,881
Share-based compensation <sup>(2)</sup>	147,028	15,960
Termination benefits	-	258,882
<b>Total key management compensation</b>	<b>\$ 573,203</b>	<b>\$ 379,723</b>

*(1) Short term benefits include salaries, bonuses, consulting fees and directors fees for all directors and key management personnel.*

*(2) Share-based compensation is the fair value of stock options granted to directors and key management personnel where an expense was recorded in the period due to vesting conditions.*

**(b) Other related party transactions**

In addition to the key management compensation above the Company also had related party transactions with WMM Services Corporation ("WMM"), a private company owned equally by Meryllion Resources Corporation and Western Lithium USA Corporation ("WLC"). WMM provides administration, accounting and other office services to the Company. Costs incurred by WMM are allocated between the Company and WLC based on time incurred and use of services and are charged at cost.

The related party transactions incurred during the period were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

The Company had related party transactions with WMM of \$52,688 for the six months ended March 31, 2014 (March 31, 2013 - \$nil) which were included in the following expense categories:

	<b>Six months ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Office and administration costs	\$ 10,666	\$ -
Rent	11,861	-
Salaries and benefits	30,161	-
<b>Total related party transactions</b>	<b>\$ 52,688</b>	<b>\$ -</b>

As at March 31, 2014, the balances due to or from related parties were \$nil (September 30, 2013 - \$nil).

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**11. OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As at May 22, 2014, the Company had 17,125,510 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at May 22, 2014:

<b>Exercise price</b>	<b>Outstanding</b>		<b>Exercisable</b>	
	<b>Number outstanding</b>	<b>Weighted average remaining life (years)</b>	<b>Number exercisable</b>	<b>Weighted average remaining life (years)</b>
\$0.12	100,000	4.88	33,334	4.88
\$0.30	1,900,000	4.56	633,339	4.56
	2,000,000	4.57	666,673	4.57

As at May 22, 2014, the Company does not have any share purchase warrants outstanding.

**12. RISKS AND UNCERTAINTIES**

Meryllion is engaged in mineral exploration and development activities which, by their nature, are speculative due to the high risk nature of the business and the present stage of the development of the Company's mineral interests. The Company's exploration activities and related results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Any investment in the common shares of Meryllion should be considered a highly speculative investment due to the nature of the Company's business. Such risk factors could materially affect the Company's future financial results and could cause actual results and events to differ materially from those described in forward looking statements and forward looking information relating to Meryllion or the business, property or financial results, any of which could cause investors to lose part or all of their investment in the Company.

For a detailed discussion of the risk factors associated with the Company please consult the 'Risks and Uncertainties' section of the Company's MD&A for the year ended September 30, 2013 filed on SEDAR at [www.sedar.com](http://www.sedar.com). It should be noted that this list is not exhaustive and that other risk factors may apply.

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**13. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make certain estimates, judgments and 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. Actual outcomes could differ from these estimates. These estimates and judgments are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical accounting estimates***

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations, the recoverability of mineral interests, the assumptions used in the determination of the fair value of share-based compensation and the assumptions used to estimate the useful life of property, plant and equipment.

***Critical accounting judgements***

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 "*The Effects of Changes in Foreign Exchange Rates*", management determined that the functional currency of Meryllion is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries Meryllion Minerals Corp. and Meryllion Argentina SA is the US dollar, as they are the currencies of the primary economic environments in which the companies operate.

**14. CHANGES IN ACCOUNTING POLICIES**

The Company adopted the following accounting standards effective October 1, 2013. The adoption of these accounting standards had no significant impact on the condensed consolidated financial statements.

The accounting standards adopted were:

- IFRS 7 *Financial Instruments Disclosures*
- IFRS 10 *Consolidated Financial Statements*
- IFRS11 *Joint Arrangements*
- IFRS 12 *Disclosure of Involvement with Other Entities*
- IFRS 13 *Fair Value Measurement*

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**15. FORWARD LOOKING STATEMENTS**

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving mining and exploration permits in Argentina;
- the impact of currency fluctuations in Argentina;
- the impact of increasing competition in gold, silver and copper business;
- unpredictable changes to the market prices for gold, silver and copper;
- exploration and development costs for its properties;
- availability of additional financing or joint-venture partners;
- anticipated results of exploration activities;
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A including, volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral exploration; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and/or joint venture partners and unpredictable weather conditions.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.