

# **MERYLLION**

R e s o u r c e s

**MERYLLION RESOURCES CORP.**  
**Consolidated Financial Statements**  
**September 30, 2015**  
(Expressed in Canadian Dollars)



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## **Independent Auditor's Report**

### **To the Shareholders of Meryllion Resources Corp.**

We have audited the accompanying consolidated financial statements of Meryllion Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and September 30, 2014, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meryllion Resources Corp. and its subsidiaries as at September 30, 2015 and September 30, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Meryllion Resources Corp. to continue as a going concern.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, British Columbia  
January 26, 2016**

**MERYLLION RESOURCES CORP.**  
**Consolidated Statements of Financial Position**  
(In Canadian Dollars)

	NOTES	As at	
		September 30, 2015	September 30, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 55,914	\$ 1,539,958
Accounts receivable		4,636	2,980
Prepaid expenses and deposits		7,762	29,437
		<b>68,312</b>	1,572,375
<b>Non-current assets</b>			
Mineral interests	8	40,183	339,392
Property, plant and equipment	10	-	25,166
		<b>40,183</b>	364,558
<b>TOTAL ASSETS</b>		<b>\$ 108,495</b>	<b>\$ 1,936,933</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	\$ 314,558	\$ 207,263
		<b>314,558</b>	207,263
<b>EQUITY (DEFICIENCY)</b>			
Share capital	11	14,755,184	14,755,184
Share-option reserve		348,908	315,499
Accumulated other comprehensive (loss)/income		(111,983)	(160,337)
Accumulated deficit		(15,198,172)	(13,180,676)
		<b>(206,063)</b>	1,729,670
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>		<b>\$ 108,495</b>	<b>\$ 1,936,933</b>

**Commitments (Note 14)**

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Borden Putnam"  
Director

"John Fognani"  
Director

**MERYLLION RESOURCES CORP.**  
**Consolidated Statements of Comprehensive Loss**  
*(In Canadian Dollars)*

	Notes	Year ended September 30,	
		2015	2014
<b>ADMINISTRATIVE EXPENSES</b>			
Depreciation	10	\$ 2,542	\$ 5,338
Insurance		35,055	40,104
Investor relations		11,700	32,611
Office and administration	12	88,277	63,177
Professional fees	12	416,287	446,900
Regulatory and filing fees		33,670	52,370
Rent	12	33,809	39,559
Salaries and benefits	12	405,442	528,107
Share-based compensation	11, 12	33,409	315,499
Travel		67,277	157,049
		1,127,468	1,680,714
Evaluation and exploration expenses	9	536,862	1,861,883
<b>OTHER (INCOME) /EXPENSES</b>			
Interest income		(16,667)	(25,525)
Impairment of mineral interests	8	408,913	749,054
Loss on disposal of equipment	10	22,624	-
Foreign exchange gain		(61,704)	(258,368)
		353,166	465,161
<b>NET LOSS FOR THE YEAR</b>		2,017,496	4,007,758
<b>OTHER COMPREHENSIVE (INCOME)/LOSS</b>			
Unrealized (gain)/loss on translation to reporting currency		(48,354)	207,246
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>		\$ 1,969,142	\$ 4,215,004
<b>LOSS PER SHARE</b>			
Basic and diluted		\$ 0.12	\$ 0.28
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>			
Basic and diluted		17,125,510	14,075,762

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

**MERYLLION RESOURCES CORP.**  
**Consolidated Statements of Changes in Equity (Deficiency)**  
*(In Canadian Dollars)*

	NOTES	Number of shares	Share Capital	Share-option Reserve	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) – Currency Translation Adjustment	Accumulated deficit	Total
Balances as at October 1, 2014		17,125,510	\$14,755,184	\$ 315,499	\$ -	\$ (160,337)	\$(13,180,676)	\$ 1,729,670
Share-based compensation		-	-	33,409	-	-	-	33,409
Net loss and other comprehensive income for the year		-	-	-	-	48,354	(2,017,496)	(1,969,142)
<b>Balances as at September 30, 2015</b>		<b>17,125,510</b>	<b>\$14,755,184</b>	<b>\$ 348,908</b>	<b>\$ -</b>	<b>\$ (111,983)</b>	<b>\$(15,198,172)</b>	<b>\$ 206,063</b>
Balances as at October 1, 2013		-	\$ -	\$ -	\$ 9,863,711	\$ 46,909	\$ (9,172,918)	\$ 737,702
Contribution from Concordia Resources Corp.	2	-	-	-	364,467	-	-	364,467
Shares issued for:								
Plan of arrangement	2	17,125,510	14,755,184	-	(10,228,178)	-	-	4,527,006
Share-based compensation		-	-	315,499	-	-	-	315,499
Net loss and other comprehensive loss for the year		-	-	-	-	(207,246)	(4,007,758)	(4,215,004)
<b>Balances as at September 30, 2014</b>		<b>17,125,510</b>	<b>\$14,755,184</b>	<b>\$ 315,499</b>	<b>\$ -</b>	<b>\$ (160,337)</b>	<b>\$(13,180,676)</b>	<b>\$ 1,729,670</b>

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

**MERYLLION RESOURCES CORP.**  
**Consolidated Statements of Cash Flows**  
(In Canadian Dollars)

	NOTES	Years ended September 30,	
		2015	2014
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		\$ (2,017,496)	\$ (4,007,758)
Items not involving cash:			
Depreciation		2,542	5,338
Foreign exchange gain		(61,704)	(258,368)
Share-based compensation		33,409	315,499
Loss on disposal of equipment		22,624	-
Impairment of mineral interests		408,913	749,054
Changes in non-cash working capital:			
Accounts receivable		(1,656)	(1,561)
Prepaid expenses and deposits		21,675	(24,352)
Accounts payable and accrued liabilities		80,507	146,887
<b>Cash used in operating activities</b>		<b>(1,511,186)</b>	<b>(3,075,261)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to mineral interests	8	(43,509)	(274,716)
Additions to property, plant and equipment	10	-	(30,504)
<b>Cash used in investing activities</b>		<b>(43,509)</b>	<b>(305,220)</b>
<b>FINANCING ACTIVITIES</b>			
Cash provided via Plan of Arrangement		-	4,527,006
Advances and funding provided by Concordia Resources Corp <sup>(1)</sup>		-	104,436
<b>Cash provided by financing activities</b>		<b>-</b>	<b>4,631,442</b>
Effect of foreign exchange on cash and cash equivalents		70,651	261,230
<b>Net change in Cash and cash equivalents</b>		<b>(1,484,044)</b>	<b>1,512,191</b>
Cash and cash equivalents, beginning of year		1,539,958	27,767
<b>Cash and cash equivalents, end of year</b>		<b>\$ 55,914</b>	<b>\$ 1,539,958</b>
<b>Comprised of:</b>			
Cash		\$ 55,914	\$ 239,958
Cash equivalents		-	1,300,000
<b>Total cash and Cash equivalents</b>		<b>\$ 55,914</b>	<b>\$ 1,539,958</b>

<sup>(1)</sup> The advances and funding provided by Concordia Resource Corp. ("Concordia") represents the historic funding provided by Concordia and the allocation of general and administrative expenses of Concordia under the continuity of interest basis of accounting prior to the Plan of Arrangement transaction described in Note 2.

**Supplemental cash flow information (Note 13)**

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

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**1. NATURE OF OPERATIONS**

Meryllion Resources Corp. ("MRC") was incorporated on July 25, 2013 under the laws of British Columbia as a wholly-owned subsidiary of Kaizen Discovery Inc., formerly Concordia Resource Corp. ("Concordia"). On December 4, 2013, a Plan of Arrangement (the "Arrangement") was approved by the shareholders of Concordia whereby Concordia distributed 100% of its interest in MRC to its shareholders. For additional details on the transaction please see Note 2. Concurrently with the completion of the Arrangement, Meryllion Resources Corp. together with its subsidiaries (collectively known as the "Company" or "Meryllion") obtained approval to list its common shares on the TSX Venture Exchange ("TSX-V") and began trading under the ticker symbol **MYR** on December 6, 2013. On May 13, 2015 the Company received approval to list its common shares on the Canadian Securities Exchange ("CSE"), and voluntarily delisted its common shares from the TSX Venture Exchange (the "TSXV").

The Company's head office is located at 750 Pender St., Suite 302, Vancouver, British Columbia, V6C 2T7.

Meryllion is a natural resource company engaged in the acquisition and exploration of resource properties in South America.

These consolidated financial statements have been prepared on a going-concern basis, which contemplates the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The amounts shown as mineral interests represent acquisition costs incurred to date and do not necessarily represent current or future values. The underlying value of mineral interests are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete permitting, exploration, development and future profitable production or proceeds from the disposition thereof.

The Company does not believe its current working capital is sufficient to maintain its core operations for the next twelve months, and 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 Company may raise additional funds through debt, the issuance of shares or through a strategic partnership. The inability to obtain additional financing may cast substantial doubt on the Company's ability to continue as a going concern.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**2. PLAN OF ARRANGEMENT**

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 net cash received by the Company after closing adjustments was \$4,527,006. 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, a wholly-owned subsidiary of MMC (together called the "Argentine Assets"). On December 4, 2013, pursuant to the Arrangement, all Concordia common shares were consolidated on a 5:1 basis and each shareholder of Concordia then received one Meryllion common share for every post-consolidated Concordia common share held as at the effective date of the Arrangement, and exchanged each old common share of Concordia for a new common share of Concordia. 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 Vend-In Agreement and Arrangement were approved by the board of directors of each of Concordia and Meryllion and the Arrangement was approved by the shareholders of Concordia, and was accepted for filing by the TSX Venture Exchange on behalf of both Concordia and Meryllion.

The Company's consolidated results of operations, financial position and cash flows for the comparative periods prior to the closing date of the transaction on December 4, 2013, reflected 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 December 4, 2013, of \$10,228,178 represented the cash advances and historic allocation of general and administrative expenses from Concordia to that date. Upon closing of the Arrangement \$10,228,178 was transferred to share capital of the Company.

Management cautions readers of these consolidated financial statements 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.



**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**3. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standard (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective September 30, 2015.

**(b) Basis of presentation**

These consolidated financial statements are expressed in Canadian Dollars, the Company’s presentation currency and have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 4 have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 26, 2016.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of consolidation**

The consolidated financial statements for the twelve months ended and as at September 30, 2015, include the accounts of the Company, the Company’s wholly-owned Canadian subsidiary Huayra Minerals Corp. (formerly “Meryllion Minerals Corp.”) and Huayra Minerals Corp.’s wholly-owned Argentine subsidiary Meryllion Argentina SA. All inter-company transactions and balances have been eliminated.

The historic consolidated financial statements for the twelve months ended September 30, 2014, also include an allocation of Concordia’s general and administrative expenses from October 1, 2013 to December 4, 2013.

**(b) Critical accounting estimates and judgements**

The preparation of these consolidated financial statements requires management to make certain estimates, judgements 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates 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.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Critical accounting estimates and judgements (continued)**

***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 judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments which are discussed below.

**Functional currency**

In accordance with IAS 21 "*The Effects of Changes in Foreign Exchange Rates*", management determined that the functional currency of MRC is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries Huayra 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.

**Impairment of property, plant and equipment and mineral interests**

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property plant and equipment and mineral interests. External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

**Going concern risk assessment**

The assessment of the Company's ability to continue as a going concern involves significant judgement. Refer to our discussion in Note 1.

**(c) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Foreign currency translation**

***Functional and presentation currency***

Items included in the financial statements of the Company and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in Canadian Dollars. The Company's functional currency is the Canadian dollar and its wholly-owned subsidiaries' functional currency is the US dollar.

***Transactions and balances***

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

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of comprehensive loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

***Parent and Subsidiary Companies***

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

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

Exchange differences are transferred directly to the consolidated statement of comprehensive loss and are included in a separate component of shareholders' equity titled "Accumulated other comprehensive income or loss – currency translation adjustment". These differences are recognized in profit or loss in the period in which the operation is disposed of.

**(e) Evaluation and exploration expenses**

Evaluation and exploration expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Evaluation and exploration expenses (continued)**

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the subsequent costs incurred for the development of that project are capitalized as mining properties, a component of property, plant and equipment.

Development expenditures are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as mineral interests.

**(f) Mineral interests**

Mineral interests include any costs relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the property in good standing. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved by the Board of Directors, the capitalized mineral interests for that project are capitalized as mining properties, a component of property, plant and equipment. Upon determination and the decision to proceed with development of a mineral interest, the mineral interest is tested for impairment and then reclassified from mineral interests to mineral properties, net of any impairment losses.

The Company assesses its capitalized mineral interests for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A mineral interest is written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Impairment of long-lived assets**

Long-lived assets are assessed for impairment at each reporting date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). These are typically individual mines or development projects.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(h) Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period if dilutive. The Company uses the treasury stock method of calculating fully diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the year. Diluted loss per share has not been presented separately as the outstanding options are anti-dilutive for each period presented.

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificates of deposits and money market instruments, including cashable guaranteed investment certificates with an original term to maturity of three months or less at date of purchase, and are carried at amortized cost.

**(j) Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Income taxes (continued)**

***Current tax***

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

***Deferred tax***

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

A deferred tax liability is recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred income tax asset is recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and losses can be utilized, except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(k) Share-based compensation**

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity-settled awards, the fair value is charged to profit or loss and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company. The fair value is determined by using the Black-Scholes option pricing model.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Share-based compensation (continued)**

At each statement of financial position date, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognised in profit or loss with a corresponding entry against the related reserve. No expense is recognised for awards that do not ultimately vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement.

**(l) Share capital**

***Common shares***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

***Equity units***

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement equity units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements are determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. The value attributed to the warrants is recorded as an equity reserve. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

**(m) Property, plant and equipment ("PPE")**

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method or unit-of-production method over their expected useful lives as follows:

- Office equipment – 5 years straight-line basis
- Furniture and fixtures – 5 years straight-line basis

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Property, plant and equipment ("PPE") (continued)**

When major components of an item of PPE have different useful lives, they are accounted for as separate items of PPE and depreciated as per each component's useful life.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal, determined as the difference between the net disposal proceeds and the carrying value of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

**(n) 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 and other-financial-liabilities. All financial instruments are initially measured in the consolidated statement of financial position at fair value. 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 does not use derivative instruments or hedges to manage risks. Transaction costs related to the Company's financial instruments will be added to their carrying amounts.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**Impairment of financial assets**

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

Where impairment has occurred, the cumulative loss is recognized in profit or loss.



**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Rehabilitation obligations**

The Company recognizes the fair value of a legal or constructive liability for a rehabilitation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant rehabilitation obligations.

**(p) Changes in accounting standards**

The Company adopted the amendments to accounting standards effective October 1, 2014. The adoption of these amendments to accounting standards had no significant impact on these consolidated financial statements.

The following accounting standards were amended:

- IAS 36 Impairment of Assets - narrow-scope amendment - Recoverable Amount Disclosures
- IFRS 2 Share-based payments
- IFRS 3 Business combinations
- IFRS 8 Operating segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures
- IAS 40 Investment Property
- IAS 32 Financial Instruments: Presentation

**5. FUTURE ACCOUNTING POLICIES**

The following are revised accounting standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2016. The Company has not yet fully assessed the impact of these standards and amendments. Where permitted, the Company has determined to not adopt any of these future accounting policies early.

***IFRS 9 Financial Instruments***

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for the periods beginning on or after January 1, 2018.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**5. FUTURE ACCOUNTING POLICIES (Continued)**

***IFRS 16 Leases***

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

**Annual Improvements to IFRSs 2012 - 2014 Cycle**

These amendments are applicable for annual reporting periods beginning on or after January 1, 2016.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations was amended to clarify the application guidance in which an entity reclassifies an asset/disposal group from held for sale to held for distribution (or vice versa), and the circumstances in which an asset/disposal group no longer meets the criteria for held for distribution.
- IFRS 7 Financial Instruments: Disclosures was amended to clarify guidance on servicing contracts and the applicability of certain amendments to IFRS 7 to interim financial statements.
- IAS 19 Employee Benefits was amended to clarify application of the discount rate for certain currencies.
- IAS 34 Interim Financial Reporting was amended to clarify the meaning of disclosure of information "elsewhere in the interim financial report".

**6. FINANCIAL INSTRUMENTS**

**(a) Designation and valuation of financial instruments**

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.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

The following table summarizes the designation of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable:

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**6. FINANCIAL INSTRUMENTS (Continued)**

**(a) Designation and valuation of financial instruments (continued)**

The Company does not have any financial instruments included in Level 1, 2 and 3.

The Company's financial instruments as at September 30, 2015 are as follows:

	<b>As at</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Financial assets</b>		
Loans-and-receivables		
Cash and cash equivalents	\$ 55,914	\$ 1,539,958
Accounts receivable	4,636	2,980
<b>Total financial assets</b>	<b>\$ 60,550</b>	<b>\$ 1,542,938</b>
<b>Financial liabilities</b>		
Other-financial-liabilities		
Accounts payable and accrued liabilities	\$ 314,558	\$ 207,263
<b>Total financial liabilities</b>	<b>\$ 314,558</b>	<b>\$ 207,263</b>

**(b) Financial risks**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

***Credit risk***

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents and accounts receivable. The Company's maximum exposure to credit risk is the amounts disclosed in the consolidated statement of financial position. Credit risk associated with cash and cash equivalents is minimized by placing these instruments with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency. Credit risk associated with accounts receivable is minimal due to the immaterial nature of these miscellaneous receivables.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**6. FINANCIAL INSTRUMENTS (Continued)**

**(b) Financial risks (continued)**

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

At September 30, 2015, the Company had a cash and cash equivalent balance of \$55,914 (September 30, 2014 - \$1,539,958) to settle current liabilities of \$314,558 (September 30, 2014 - \$207,263). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company intends to finance future requirements from share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

***Price risk***

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

***Interest rate risk***

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

***Currency risk***

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at September 30, 2015 are as follows:

	US\$	Argentine Peso	C\$ equivalent
Cash and cash equivalents	12,781	-	17,049
Accounts payable and accrued liabilities	(81,563)	(331,933)	(156,347)

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**6. FINANCIAL INSTRUMENTS (Continued)**

**(b) Financial risks (continued)**

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$13,931 decrease or increase in the Company's after-tax net earnings, respectively.

As at September 30, 2015, US dollar amounts have been translated at a rate of C\$1.3394 per US dollar and Argentine peso amounts have been translated at C\$0.1421 per Argentine peso.

**7. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

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 does not believe its current working capital is sufficient to maintain its core operations for the next twelve months, and 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 capital structure of the Company currently consists of common shares and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or new shares. Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management and the Company is not subject to any externally imposed capital requirements.

**8. MINERAL INTERESTS**

Through the Company's wholly-owned subsidiaries, the Company controls exploration concessions in Argentina classified by the Company into the Cerro Amarillo Project, Samenta Project and the Providencia Project. All acquisition costs and option payments related to these exploration concessions are capitalized as mineral interests and are incurred in US dollars and translated to Canadian dollar, the presentation currency for the Company.

During the year ended September 30, 2015 the Company's wholly owned Argentine subsidiary acquired the option to purchase the Samenta Cu-Mo porphyry prospect located in the province of Salta in northwestern Argentina. The Company signed exploration-with-option-to-purchase agreements on two separate but contiguous claim groups, Cerro Samenta Norte and Cerro Samenta Sur, comprising the Samenta Project. The Company made a USD30,000 (USD20,000 of which was paid subsequent to the year end) payment upon completion of the due diligence. The Company will pay USD50,000 in August 2016, USD70,000 in August 2017, USD90,000 in August 2018 and USD130,000 in August 2019. An exercise fee of USD4,230,000 will be due at the end of August 2020. The underlying owners are also entitled to a 1.5% NSR royalty of which 0.5% can be purchased back for USD1,000,000.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

---

**8. MINERAL INTERESTS (Continued)**

For the Cerro Amarillo Project, the Company is awaiting the ratification of the appropriate permits to undertake, subject to financing, a stage one drilling campaign. On December 1, 2014, the Company announced that during the congressional deliberations that took place in November 2014, it was determined that any decision regarding the ratification of the drill permit should be delayed pending the completion of an inventory of glaciers in or near the project to be conducted by *Instituto Argentino de Nivología Glaciología y Ciencias Ambientales* ("IANIGLA"), the federal body charged with conducting the inventory under the Protection of Glaciers Law 26.639. IANIGLA has already begun the inventory, which was expected to be completed in 2015.

Due to uncertainty of the timing for the completion of the glaciers inventory and the ratification of the permits, the Company has written down the Cerro Amarillo property by \$408,913 to \$1.

For the Providencia Project, on August 22, 2014, the Company announced that it had terminated the La Providencia & M. Tola option agreement which is one of the four option agreements that previously made up the Company's Providencia Project. At the fiscal year ended September 30, 2014 the Company assessed the Providencia Project for indications of impairment. The Company determined that although it had not terminated all the option agreements for the Providencia Project, the option agreement that was terminated contained all of the previously disclosed inferred resource. Based on the lack of defined resources on the remaining Providencia Project and the Company's focus on the Cerro Amarillo Project going forward, all costs capitalized as mineral interests for the Providencia Project were written off as at September 30, 2014 and an impairment charge of \$749,054 was recorded in the twelve months ended September 30, 2014. During the year ended September 30, 2015, the Company terminated the remaining agreements that made up the Providencia Project, but no impairment charge was recorded as no costs were capitalized since the last impairment.

The changes to the Company's mineral interests were as follows:

	<b>Cerro Amarillo, Argentina</b>	<b>Providencia, Argentina</b>	<b>Samenta, Argentina</b>	<b>Total</b>
Balances as at September 30, 2013	\$ 208,957	\$ 554,850	\$ -	\$ 763,807
Additions	110,530	164,186	-	274,716
Change in value due to foreign exchange	19,905	30,018	-	49,923
Impairment	-	(749,054)	-	(749,054)
Balances as at September 30, 2014	339,392	-	-	339,392
Additions	31,031	-	39,267	70,298
Change in value due to foreign exchange	38,491	-	915	39,406
Impairment	(408,913)	-	-	(408,913)
<b>Balance as at September 30, 2015</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 40,182</b>	<b>\$ 40,183</b>

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**9. EVALUATION AND EXPLORATION EXPENSES**

The Company's exploration expenses for the twelve months ended September 30, 2015 and 2014 were as follows:

	Years ended September 30,	
	2015	2014
<b>Cerro Amarillo, Argentina</b>		
Administration	\$ 368,501	\$ 478,721
Camp Costs	5,494	100,649
Consulting	38,487	300,987
Environmental Costs	14,031	4,205
Field Exploration	-	21,113
Geology	-	2,511
Geochemistry	-	64,342
Geophysics	-	389,470
Health and Safety	-	12,071
Personnel Costs	10,712	74,635
Travel and Transport	11,399	281,582
Other	16,074	69,281
<b>Total Cerro Amarillo</b>	<b>464,698</b>	<b>1,799,567</b>
<b>Providencia, Argentina</b>		
Administration	56,632	16,577
Camp Costs	1,104	4,618
Personnel Costs	605	10,867
Travel and Transport	4,625	7,746
Other	8,450	22,508
<b>Total Providencia</b>	<b>71,416</b>	<b>62,316</b>
<b>Samenta, Argentina</b>		
Other	748	-
<b>Total Samenta</b>	<b>748</b>	<b>-</b>
<b>Total evaluation and exploration expenses</b>	<b>\$ 536,862</b>	<b>\$ 1,861,883</b>

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**10. PROPERTY, PLANT AND EQUIPMENT**

The Company's property, plant and equipment as at September 30, 2015 was as follows:

	<u>Office equipment</u>
<b>Cost</b>	
As at September 30, 2013	\$ -
Additions	30,504
As at September 30, 2014	\$ 30,504
Disposal	<b>(30,504)</b>
As at September 30, 2015	<b>\$ -</b>
<b>Accumulated depreciation</b>	
As at September 30, 2013	\$ -
Charge for the year	5,338
As at September 30, 2014	\$ 5,338
Charge for the year	<b>2,542</b>
Disposal	<b>(7,880)</b>
As at September 30, 2015	<b>\$ -</b>
Net book value as at September 30, 2014	\$ 25,166
<b>Net book value as at September 30, 2015</b>	<b>\$ -</b>

**11. SHARE CAPITAL**

**(a) Authorized**

Unlimited Class A common shares without par value.

**(b) Issued and outstanding**

At September 30, 2015, the Company had 17,125,510 common shares issued and outstanding (2014 - 17,125,510).

Pursuant to the Plan of Arrangement described in Note 2, at September 30, 2015, the Company had 2,122,078 shares held in escrow (2014 - 3,031,540), 303,154 of which were released on June 5, 2015, 606,308 were released on December 5, 2014 and the rest will be released from escrow as follows:

- 454,731 shares will be released on each of December 5, 2015 and June 5, 2016
- 1,212,616 shares will be released on December 5, 2016



**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**11. SHARE CAPITAL (Continued)**

**(b) Issued and outstanding (continued)**

***Year ended September 30, 2015***

During the year ended September 30, 2015, the Company did not issue any common shares.

***Year ended September 30, 2014***

During the year ended September 30, 2014, the Company issued 17,125,510 common shares pursuant to a Plan of Arrangement as described in Note 2.

**(c) Stock options**

The Company has implemented a stock option plan whereby the Board of Directors of the Company may grant directors, officers, employees and consultants' stock options to acquire common shares of the Company. Under the stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The plan is administered by the Board of Directors, which determines individual eligibility under the plan, the number of shares reserved underlying the options granted to each individual (not exceeding 10% of issued and outstanding shares to any insider; not exceeding 2% of the issued and outstanding shares to any consultant or persons employed to provide investor relations services) and any vesting period which, pursuant to the stock option plan can be determined and imposed by the Board of Directors. The maximum number of common shares that may be reserved for issuance under the plan is 2,568,826, being the number of common shares that is equal to 15% of the Company's issued and outstanding common shares.

The movement in the Company's stock options for the year ended September 30, 2015 was as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, September 30, 2013	-	\$ -
Granted	2,000,000	0.29
Outstanding, September 30, 2014	2,000,000	0.29
Cancelled	(475,002)	0.30
Forfeited	(549,998)	0.27
<b>Outstanding, September 30, 2015</b>	<b>975,000</b>	<b>\$ 0.30</b>

The Company's outstanding and exercisable stock options as at September 30, 2015 were as follows:

	<b>Outstanding</b>		<b>Exercisable</b>	
<b>Exercise price</b>	<b>Number outstanding</b>	<b>Weighted average remaining life (years)</b>	<b>Number exercisable</b>	<b>Weighted average remaining life (years)</b>
\$0.30 <sup>(1)</sup>	975,000	3.20	650,003	3.20

(1) 283,334 stock options were cancelled and 141,666 stock options were forfeited subsequent to year-end

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**11. SHARE CAPITAL (Continued)**

**(d) Share-based compensation**

During the year ended September 30, 2015, the Company did not grant any stock options (2014: 2,000,000) at a weighted average exercise price of \$nil (2014: \$0.29). The stock options granted in the comparative year had a vesting period of 2 years with one-third of the grant vesting on the day of the grant, one-third vesting on the first anniversary of the date of grant and one-third vesting on the second anniversary of the date of grant.

The weighted average fair value for the options granted in the year ended September 30, 2015 was \$nil per option (2014 - \$0.22) which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>Years ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Risk-free interest rate	-	1.77%
Expected dividend yield	-	-
Expected stock price volatility <sup>(1)</sup>	-	100%
Expected option life	-	5.0 years
Share price on grant date	-	\$ 0.29

<sup>(1)</sup> The expected stock price volatility was estimated by reference to historic volatility of similar entities following a comparable period in their lives

During the year ended September 30, 2015, the Company recorded share-based compensation of \$33,409 (2014 - \$315,499). The Company estimated a forfeiture rate of 0% to record the share-based compensation expense for options granted in the prior year. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

**12. RELATED PARTY TRANSACTIONS**

**(a) Key management compensation**

The remuneration of the Company's Directors and other members of key management, being the Chief Executive Officer and Chief Financial Officer, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consist of the following amounts:

	<b>Years ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Short-term benefits <sup>(1)</sup>	\$ 333,913	\$ 631,875
Share-based compensation <sup>(2)</sup>	21,174	222,961
Termination benefit	100,000	-
<b>Total key management compensation</b>	<b>\$ 455,087</b>	<b>\$ 854,836</b>

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**12. RELATED PARTY TRANSACTIONS (Continued)**

**(a) Key management compensation (continued)**

- (1) Short term benefits include salaries, bonuses, consulting fees (included in professional 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.

As at September 30, 2015, the Company owed \$93,353 (September 30, 2014: \$77,500) in directors fees, advances and expenses to the directors of the Company which will be paid at a later date.

**(b) Other related party transactions**

The Company shared office space, equipment and office administrative services with Western Lithium USA Corporation ("WLC"). These services have been mainly provided through a private management company, WMM Services Corporation ("WMM"), equally owned by the Company and WLC and were related by virtue of a common director. In November 2014, the Company transferred its ownership in WMM to WLC. Costs incurred by the management company are allocated between the Company and WLC based on time incurred and use of services and are charged at cost.

The Company had related party transactions with WMM of \$29,169 for the year ended September 30, 2015 (2014 - \$97,975) which were included in the following expense categories:

	<b>Years ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Office and administration	\$ 8,981	\$ 21,555
Rent	17,190	35,716
Salaries and benefits	2,998	40,704
<b>Total related party transactions</b>	<b>\$ 29,169</b>	<b>\$ 97,975</b>

As at September 30, 2015, the balance due to WMM was \$nil (2014 - \$2,207). Starting from March 1, 2015 the Company terminated the agreement with WMM and entered into an Administration and Corporate Development Services Agreement with a management company to provide administrative services including services of a Chief Financial Officer. During the year ended September 30, 2015 the Company incurred \$70,000 in fees paid to this management company. As at September 30, 2015 \$nil (September 30, 2014 - \$nil) was payable to this company.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

During the years ended September 30, 2015 and 2014, the Company did not incur any interest expenses or pay any income taxes.

The Company did not have any non-cash financing activity during the years ended September 30, 2015 and 2014. As at September 30, 2015 the Company has \$26,788 in payables related to Samenta Project.

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**14. COMMITMENTS**

As at September 30, 2015, the Company has mineral interest commitments at its Cerro Amarillo and Samenta projects in the form of option payments and minimum work commitments for various mineral exploration concessions. The Company is in the process of conducting a strategic review of its properties under option and although as at September 30, 2015 the Company had the commitments shown in the table below some of these commitments could be reduced or eliminated completely pending the outcome of the strategic review.

The Company also has minimum rental and operating expense payments for the Company's office space in Buenos Aires where the lease expired on November 20, 2015 and operating expense payments in Vancouver.

The Company's commitments for these items as at September 30, 2015 and when they are expected to be incurred were as follows:

	<b>As at September 30</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
<b>Mineral interest commitments</b>					
Cerro Amarillo Project	\$ 33,485	\$ 33,485	\$ 33,485	\$ 33,485	\$ 133,940
Samenta	66,970	93,758	120,546	174,122	455,396
Total mineral interest commitments	100,455	127,243	154,031	207,607	589,336
Minimum rental commitments	3,715	-	-	-	3,715
<b>Total commitments</b>	<b>\$104,170</b>	<b>\$127,243</b>	<b>\$154,031</b>	<b>\$ 207,607</b>	<b>\$ 593,051</b>

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

**15. SEGMENTED INFORMATION**

As at September 30, 2015, the Company operates in two geographical areas being Canada and Argentina. The Company operates in one business segment, being the acquisition and exploration of resource properties. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the year ended September 30, 2015.

The Company's assets, liabilities, property, plant and equipment and mineral interests segmented geographically are as follows:

	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
<b>Total assets</b>			
As at September 30, 2015	<b>\$ 66,760</b>	<b>\$41,735</b>	<b>\$ 108,495</b>
As at September 30, 2014	1,561,795	375,138	1,936,933
<b>Total liabilities</b>			
As at September 30, 2015	<b>240,668</b>	<b>73,890</b>	<b>314,558</b>
As at September 30, 2014	165,554	41,709	207,263
<b>Mineral interests</b>			
As at September 30, 2015	-	<b>40,183</b>	<b>40,183</b>
As at September 30, 2014	-	339,392	339,392
<b>Property, plant and equipment</b>			
As at September 30, 2015	-	-	-
As at September 30, 2014	25,166	-	25,166

**16. INCOME TAXES**

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.0% (2014 – 26%) as follows:

	Twelve months ended September 30,	
	2015	2014
Net loss for the year	\$ (2,017,496)	\$ (4,007,758)
Statutory income tax rate	26.0%	26.0%
Expected income tax recovery	(524,549)	(1,042,017)
Items not deductible (taxable) for tax purposes	(13,081)	12,389
Higher rate in foreign jurisdictions	(79,464)	(215,983)
Other	320	11,276
Deferred income tax benefit not recognized	616,774	1,234,335
Deferred income tax (expense)/recovery	\$ -	\$ -

The Company recognizes deferred tax assets on losses or other deductible amounts where it is probable that sufficient future taxable profits will be available to realize such assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

**MERYLLION RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**Twelve months ended September 30, 2015**  
*(In Canadian Dollars)*

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**16. INCOME TAXES (Continued)**

	As at September 30,	
	2015	2014
Tax losses carry forward	\$ 3,230,121	\$ 2,754,759
Mineral interests	394,462	251,662
Property, plant and equipment	-	1,388
Unrecognized deferred tax assets	\$ 3,624,583	\$ 3,007,809

As at September 30, 2015, the Company has Canadian non-capital loss carry-forwards of \$2,897,071 (2014 - \$1,791,455) that are available to reduce taxable income in Canada. These losses expire between 2031 and 2035.

As at September 30, 2015, the Company has Argentine loss carry-forwards of \$7,076,809 (2014 - \$6,539,947) that are available to reduce taxable income in Argentina. These losses expire between 2016 and 2020.