

# **MERYLLION**

R e s o u r c e s

**MERYLLION RESOURCES CORP.**  
**Annual Financial Statements**  
**For the years ended September 30, 2020 and 2019**  
(Expressed in Canadian Dollars)



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Meryllion Resources Corp. (the Company), which comprise the statements of financial position as at September 30, 2020 and 2019, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss of \$141,819 during the year ended September 30, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

*Clearhouse LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
January 25, 2021

**MERYLLION RESOURCES CORP.**  
**Annual Statements of Financial Position**  
*(In Canadian Dollars)*  
As at September 30,

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	Note	September 30 2020	September 30 2019
		\$	\$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		27,442	2,386
Amounts receivable	8	14,982	16,347
<b>TOTAL ASSETS</b>		<b>42,424</b>	<b>18,733</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	8	136,107	71,334
<b>TOTAL LIABILITIES</b>		<b>136,107</b>	<b>71,334</b>
<b>DEFICIENCY</b>			
Share capital	7b)	15,801,871	15,701,134
Warrant reserve	7c)	65,581	65,581
Share-option reserve	7d)	348,908	348,908
Deficit		(16,310,043)	(16,168,224)
<b>Total deficiency</b>		<b>(93,683)</b>	<b>(52,601)</b>
<b>Total liabilities and deficiency</b>		<b>42,424</b>	<b>18,733</b>

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

Going concern (Note 1)  
Subsequent event (Note 10)

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:**

"Jeremy Edelman"  
Director

"Guy Charette"  
Director

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

For the years ended September 30,

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	Note	2020	2019
		\$	\$
<b>ADMINISTRATIVE EXPENSES</b>			
Professional fees	8	54,510	136,215
Director fees	8	20,000	74,533
Management fees	8	36,000	-
Office and administration	8	8,996	35,851
Share-based compensation	7c)	-	33,600
Regulatory and filing fees		22,299	11,955
Insurance		-	4,553
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<b>141,805</b>	<b>296,707</b>
Other expenses			
Foreign exchange loss		14	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>141,819</b>	<b>296,707</b>
<b>LOSS PER SHARE, basic and diluted</b>		<b>0.02</b>	<b>0.05</b>
<b>Weighted average number of common shares, basic and diluted <sup>1</sup></b>		<b>7,487,034</b>	<b>6,378,552</b>

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**(1) Adjusted for 1-for-10 share consolidation on December 11, 2020.**

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

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

	<b>Note</b>	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Share-option Reserve</b>	<b>Warrants</b>	<b>Deficit</b>	<b>Total</b>
			\$	\$	\$	\$	\$
Balance, September 30, 2018		5,448,842	15,433,934	348,908	31,981	(15,871,517)	(56,694)
Shares issued for debt	7b)	237,391	47,478	-	-	-	47,478
Shares issued for services	7b)	1,098,609	219,722	-	-	-	219,722
Share-based compensation	7c)	-	-	-	33,600	-	33,600
Net loss and comprehensive loss for the year		-	-	-	-	(296,707)	(296,707)
Balance, September 30, 2019		6,784,842	15,701,134	348,908	65,581	(16,168,224)	(52,601)
Balance, September 30, 2019		6,784,842	15,701,134	348,908	65,581	(16,168,224)	(52,601)
Shares issued for debt	7b)	1,330,000	66,500	-	-	-	66,500
Shares issued for private placement	7b)	1,000,000	50,000	-	-	-	50,000
Share issuance costs	7b)	-	(15,763)	-	-	-	(15,763)
Net loss and comprehensive loss for the year		-	-	-	-	(141,819)	(141,819)
Balance, September 30, 2020		9,114,842	15,801,871	348,908	65,581	(16,310,043)	(93,683)

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

**MERYLLION RESOURCES CORP.**  
**Annual Statements of Cash Flows**  
*(In Canadian Dollars)*  
For the years ended September 30,

	Note	2020	2019
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		(141,819)	(296,707)
Items not affecting cash:			
Shared-based compensation	7c)	-	33,600
Non-cash expenses	7b)	-	219,722
		(141,819)	(43,385)
Changes in non-cash working capital items:			
Amounts receivable		1,365	(6,555)
Prepaid expenses and deposit		-	1,312
Accounts payable and accrued liabilities		131,273	45,274
Cash flows used in operating activities		(9,181)	(3,354)
<b>FINANCING ACTIVITIES</b>			
Proceeds from private placement	7b)	50,000	-
Share issuance costs	7b)	(15,763)	-
Cash flows from financing activities		34,237	-
Change in cash during the period		25,056	(3,354)
Cash, beginning of period		2,386	5,740
Cash, end of period		27,442	2,386
<b>Non-cash activities:</b>			
Shares issued for debt	7b)	\$ 66,500	\$ 47,478
Shares issued for services	7b)	\$ -	\$ 219,722

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



**1. NATURE OF OPERATIONS AND GOING CONCERN**

Meryllion Resources Corp. (“Company”) 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 the Company to its shareholders. 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-V.

The Company’s head office is located at 8 King Street East, Suite 1005, Toronto, Ontario, Canada, M5C 1B5.

These annual financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern. Such adjustments could be material.

At September 30, 2020, the Company had an accumulated deficit of \$16,310,043 (2019 - \$16,168,224) and a working capital deficiency of \$93,683 (September 30, 2019 – \$52,601). The Company incurred losses of \$141,819 during the year ended September 30, 2020 (2019 - \$296,707). These circumstances raise material uncertainties which may cast substantial doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise adequate financing to meet its present and future commitments and to generate profitable operations in the future.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRSs issued and outstanding as of January 25, 2021, the date the Board of Directors approved the financial statements.

**(b) Basis of presentation**

These annual financial statements are expressed in Canadian Dollars, the Company’s presentation and functional currency and have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. These annual financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 3 have been applied consistently to all periods presented in these annual financial statements as if the policies have always been in effect.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make significant judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and related footnote disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future can differ from these estimates, which may be material to future financial statements.

Significant estimates and underlying assumptions are reviewed on a periodic basis. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below:

- Valuation of share-based payments - Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk free interest rate and the life of the warrant granted. These assumptions are highly subjective and materially affect the calculated fair value.
- Recoverability of deferred income tax assets – assessing whether the realization of tax losses against future taxable income for income tax purposes is probable.

#### **(b) 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. The Company does not have any significant legal or constructive obligations as at September 30, 2020 and 2019.

#### **(c) 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 and warrants are anti-dilutive for each period presented.

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

**(d) 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.

**(e) Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss/income.

*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.

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

**(f) 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.

At each reporting 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.

**(g) Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(h) Financial instruments**

*Recognition*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(h) Financial instruments**

##### *Classification and measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition). After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

##### *Fair value of financial instruments*

The determination of the fair value of financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective as such it requires varying degrees of judgment. The use of judgment in valuing financial instruments includes assessing qualitative factors such on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the particular instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

*Level 1:* Quoted market price in an active market for an identical instrument.

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

**(h) Financial instruments**

*Level 2:* Valuation techniques based on observable inputs derived either directly or indirectly from market prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

*Level 3:* Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As of September 30, 2020, all of the Company's financial instruments are recorded at amortized cost in the statements of financial position.

**(i) Impairment of financial assets**

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

**(j) Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties, which may be individuals or corporate entities, are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

#### **4. FUTURE ACCOUNTING POLICIES AND ACCOUNTING CHANGES**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after October 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

**Changes in Accounting Estimates and Errors** (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

#### **5. FINANCIAL INSTRUMENTS**

##### **(a) Designation and valuation of 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 as amortized costs. All financial instruments are measured in the statement of financial position at fair value initially. Subsequent measurement and changes in fair value will depend on their initial classification.

The Company has designated its cash and amounts receivable as amortized cost and accounts payable and accrued liabilities as amortized cost. Cash 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.

**MERYLLION RESOURCES CORP.**  
**Notes to the Annual Financial Statements**  
**Years ended September 30, 2020 and 2019**  
*(In Canadian Dollars)*

**5. FINANCIAL INSTRUMENTS (Continued)**

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

The Company's financial instruments are as follows:

	<b>As at</b>	
	<b>September 30, 2020</b>	<b>September 30, 2019</b>
<b>Financial assets</b>		
Assets at amortized cost		
Cash	\$ 27,442	\$ 2,386
Amounts receivable	14,982	16,347
<b>Total financial assets</b>	<b>\$ 42,424</b>	<b>\$ 18,733</b>
<b>Financial liabilities</b>		
Liabilities at amortized cost		
Accounts payable and accrued liabilities	\$ 136,107	\$ 71,334
<b>Total financial liabilities</b>	<b>\$ 136,107</b>	<b>\$ 71,334</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. The Company's maximum exposure to credit risk is the amounts disclosed in the annual statement of financial position. Credit risk associated with cash is minimized by placing these instruments with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency.

*Liquidity risk*

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

At September 30, 2020, the Company had a cash balance of \$27,442 (September 30, 2019 - \$2,386) to settle current liabilities of \$136,107 (September 30, 2019 - \$71,334). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

During the year ended September 30, 2020, the Company settled debts in the aggregate principal amount of \$66,500 by the issuance of 1,300,000 common shares (13,300,000 pre-consolidation common shares) in the capital of the Company, having a value of \$0.05 per common share (September 30, 2019 – settled \$47,478 by the issuance of 237,391 common shares in the capital of the Company) (See Note 7(b)).



**5. FINANCIAL INSTRUMENTS (Continued)**

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

The Company intends to finance future requirements from share issuances, the exercise of options, 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 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 not exposed to significant currency risk.

**6. 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 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, warrants 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 during the years ended September 30, 2020 and 2019 and the Company is not subject to any externally imposed capital requirements.

**7. SHARE CAPITAL**

**(a) Authorized**

Unlimited Class A common shares without par value.

**(b) Issued and outstanding**

At September 30, 2020, the Company had 9,114,842 (September 30, 2019 – 6,784,842) common shares issued and outstanding. Subsequent to yearend, the Company consolidated its common shares on a 10 for 1 basis (Note 10). The share consolidation has been retrospectively applied in these financial statements.

***Year ended September 30, 2020***

During the year ended September 30, 2020, 1,330,000 common shares (13,300,000 pre-consolidated common shares) with a fair value of \$66,500 were issued to settle debts owed to certain directors of the Company. The shares were valued at \$0.05 based on the value of shares issued under the non-brokered private placement on the same date.

The Company also completed a non-brokered private placement of 1,000,000 common shares (10,000,000 pre-consolidated common shares) in the capital stock of the Company at a price of \$0.05 per share for gross proceeds of \$50,000, with the entire subscription comprising of directors of the Company. The proceeds from the private placement will be used for general working capital purposes.

Share issuance costs related to the private placement and shares for debt transaction were \$15,763.

***Year ended September 30, 2019***

During the year ended September 30, 2019, the Company settled debt in the aggregate principal amount of \$47,478 by the issuance of 237,391 common shares (2,373,912 pre-consolidated common shares) in the capital of the Company. Of this amount, a total of 212,391 common shares (2,123,913 pre-consolidated common shares) with a value of \$42,478 were issued to certain directors and a corporation with common officers of the Company. The shares were valued at \$0.20 per share based on the quoted market price of the shares on the date of issuance.

During the year ended September 30, 2019, the Company issued shares in exchange for services in the amount of \$219,722 by the issuance of 1,098,609 common shares (10,986,088 pre-consolidated common shares) in the capital of the Company. Of this amount, a total of 853,326 common shares (8,533,255 pre-consolidated common shares) with a value of \$170,665 were issued to certain directors and corporations with common officers of the Company. The shares were valued at \$0.20 per share based on the quoted market price of the shares on the date of issuance.

**MERYLLION RESOURCES CORP.**  
**Notes to the Annual Financial Statements**  
**Years ended September 30, 2020 and 2019**  
*(In Canadian Dollars)*

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**7. SHARE CAPITAL (Continued)**

**c) Warrants**

The movement in the Company's warrants for the years ended September 30, 2020 and 2019 was as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding, September 30, 2019 and 2018	3,900,000	0.05
Expired	(3,900,000)	(0.05)
<b>Outstanding, September 30, 2020</b>	<b>-</b>	<b>-</b>

**(d) 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 911,484.

The movement in the Company's stock options for the years ended September 30, 2020 and 2019 was as follows:

	<b>Number of stock options</b>	<b>Weighted average exercise price</b>
Outstanding, September 30, 2018	100,000	0.30
Expired	(100,000)	(0.30)
<b>Outstanding, September 30, 2019 and 2020</b>	<b>-</b>	<b>-</b>

**MERYLLION RESOURCES CORP.**  
**Notes to the Annual Financial Statements**  
**Years ended September 30, 2020 and 2019**  
*(In Canadian Dollars)*

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**8. RELATED PARTY TRANSACTIONS**

**a. Key management compensation**

The remuneration of the Company's Directors consists of the following amounts:

	<b>Years ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits (1)	\$ 56,000	\$ 74,533
<b>Total directors' compensation</b>	<b>\$ 56,000</b>	<b>\$ 74,533</b>

*(1) Short term benefits include salaries, bonuses, consulting fees (included in professional fees), management fees and directors fees for all directors.*

As at September 30, 2020, the Company owed \$36,000 (September 30, 2019 - \$Nil) in management fees to the CEO and CFO of the Company.

As at September 30, 2020, the Company owed \$20,000 (September 30, 2019 - \$Nil) in fees to prior directors of the Company. The Company agreed to issue 200,000 post consolidation shares to these directors as compensation for their services. The value was based on the quoted market price on the date of the agreement of \$0.10 per common share.

As at September 30, 2020, the Company has an amount receivable from a director of the Company of \$Nil (September 30, 2019 - \$5,000).

**b. Other related party transactions**

During the year ended September 30, 2020, the Company incurred \$7,500 (2019 - \$83,757) in fees paid to a management company to provide administration services including services of a Chief Financial Officer and a Corporate Secretary. As at September 30, 2020, \$Nil (September 30, 2019 -\$25,425) was payable to this company.

During the year ended September 30, 2020, the Company incurred \$Nil (2019 - \$42,375) in fees paid to a company with a common officer as the Company.

During the year ended September 30, 2020, the Company incurred legal fees of \$55,698 (2019 - \$Nil) paid to a company controlled by a director of the Company.

**MERYLLION RESOURCES CORP.**  
**Notes to the Annual Financial Statements**  
**Years ended September 30, 2020 and 2019**  
*(In Canadian Dollars)*

**9. INCOME TAXES**

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.5% (2019 – 26.5%) as follows:

	Year ended September 30,	
	2020	2019
Net loss for the year	\$ (141,819)	\$ (296,707)
Statutory income tax rate	26.5%	26.5%
Expected income tax recovery	(37,582)	(78,600)
Non-deductible expenses	-	8,900
Change in unrecognized temporary differences	-	68,400
Permanent differences and other	-	1,300
Tax benefits not recognized	41,759	-
Share issuance costs recorded to equity	(4,177)	-
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:

	As at September 30,	
	2020	2019
Non- capital loss carry forward	\$ 3,094,081	\$ 2,944,000
Capital loss carry forward	9,975,000	9,975,000
Share issue costs	12,610	5,000
Unrecognized deferred tax assets	\$ 13,081,691	\$ 12,924,000

As at September 30, 2020, the Company has Canadian non-capital loss carry forwards of approximately \$3,094,081 (2019 - \$2,944,000) that are available to reduce taxable income in Canada. These losses expire between 2034 and 2039.

**10. SUBSEQUENT EVENT**

On December 8, 2020, the Company announced that its Board of Directors has authorized the implementation of the consolidation (the "Consolidation") of the Company's issued and outstanding common shares on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares, the whole effective as of December 11, 2020. The Consolidation was approved by the shareholders of the Company at the annual and special meeting of shareholders held on October 27, 2020. The Company currently has 91,148,420 common shares issued and outstanding. Following the Consolidation, there are approximately 9,114,842 common shares issued and outstanding.