

MINERAL HILL INDUSTRIES LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)
(Unaudited)

MINERAL HILL INDUSTRIES LTD.

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**NOTICE OF NO AUDITORS' REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of financial position
(Expressed in Canadian Dollars)

	June 30 2020 (unaudited) \$	December 31 2019 (audited) \$
ASSETS		
Current assets		
Cash and equivalents (Note 4)	25,154	17,950
Receivables	1,135	-
Marketable securities	43,750	18,930
Prepaid expenses	6,586	10,658
	76,625	47,538
Due from related parties (Note 8)	362	362
	76,987	47,900
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	523,358	466,711
Share subscriptions received in advance (Note 9)	-	43,000
	523,358	509,711
Shareholders' deficiency		
Share capital (Note 9)	16,791,963	16,791,963
Share subscriptions (Note 9)	-	-
OCI	24,820	-
Reserves	1,696,739	1,696,739
Deficit	(18,959,893)	(18,950,513)
	(446,371)	(461,811)
	76,987	47,900

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 3, 2020 and were signed on its behalf:

"Dieter Peter"
Dieter Peter, Director

"Andrew von Kursell"
Andrew von Kursell, Director

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Mineral Hill Industries Ltd.

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

	Three months to June 30		Six months to June 30	
	2020	2019	2020	2019
Expenses				
Amortization (Note 5)	\$ -	\$ (61)	\$ -	\$ -
Bank charges and interest	682	647	2,396	1,307
Investor relations	1,418	380	16,803	1,550
Office and miscellaneous	564	(44)	1,731	571
Professional fees	1,061	17,487	25,213	22,837
Project investigation costs (Note 7)	-	8,095	-	17,259
Stock-based compensation (Note 9)	-	544	-	2,674
Transfer agent and filing fees	616	2,185	9,733	10,868
Travel, meals & entertainment	-	-	167	-
	(4,341)	(29,235)	(56,043)	(57,066)
Loss before other item				
Loss on equipment disposal	-	(6,529)	-	(6,529)
Gain on settlement of debt	-	43,466	-	43,466
Interest income	170	20	291	45
Realized FX gain/loss	53,671	-	46,372	-
Comprehensive gain/ (loss) for the year	49,500	7,722	(9,380)	(20,084)
Loss per common share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding:				
Basic and diluted	18,539,188	18,409,188	18,539,188	18,409,188

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of cash flows
(Expressed in Canadian Dollars)

Six months ended June 30

	2020	2019
Cash flows from operating activities		
Loss for the year	\$ (9,380)	\$ (20,084)
<i>Items not affecting cash:</i>		
Stock-based compensation	-	2,674
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(1,135)	(133)
(Increase) decrease in due from related parties	-	275
(Increase) decrease in prepaid expenses	4,099	22
Increase in accounts payable and accrued liabilities	(10,945)	(282,210)
Net cash used in operating activities	(17,361)	(299,456)
Cash flows from financing activities		
Proceeds from share subscriptions recorded in advance	-	43,000
Advances from a company controlled by a director	24,565	245,597
Advances from a director	-	9,164
Net cash provided by financing activities	7,204	297,760
Increase (decrease) in cash and equivalents	7,204	(1,695)
Cash and equivalents, beginning of the period	17,950	9,108
Cash and equivalents, end of the period	\$ 25,154	\$ 10,803

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of changes in shareholders' deficiency

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Number of shares	Amount	OCI	Reserves	Share subscriptions recorded in advance	Deficit	Total
		\$	\$	\$		\$	\$
Balance, January1, 2019	18,409,188	16,723,063	-	1,723,965	-	(18,933,189)	(486,161)
Share based payment	-	-	-	2,674	-	-	2,674
Comprehensive loss for the year	-	-	-	-	-	(20,084)	(20,084)
Share subscriptions recorded in advance	-	-	-	-	43,000	-	43,000
Balance, June 30, 2019	18,409,188	16,723,063	-	1,726,095	43,000	(18,953,273)	(460,571)
Balance, January1, 2020	18,539,188	16,791,963	-	1,696,739	-	(18,950,513)	(461,811)
Share based payment	-	-	-	-	-	-	-
Comprehensive loss for the year	-	-	-	-	-	(9,380)	(9,380)
OCI	-	-	24,820	-	-	-	24,820
Balance, June 30, 2020	18,539,188	16,791,963	24,820	1,696,739	-	(18,959,893)	(446,371)

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and has shifted its principal focus from the acquisition and exploration of mineral properties to the investment in natural gas and oil projects (Note 7). The Company's shares are listed on the TSX Venture Exchange ("TSXV") trading under the symbol "MHI". The registered office of the Company is 10th Floor, 595 Howe Street, Vancouver, V6C 2T5, British Columbia.

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable for the reporting period, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Ongoing operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

The Company incurred a loss of \$9,380 during the six months ended June 30, 2020 and as of that date the Company's current liabilities exceeded its current assets by \$446,733. The Company anticipates the need to raise additional funds within the next 12 months to pay operational costs and fund any investing activities. To the extent financing is not available payments may not be satisfied and could result in a loss of earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Basis of measurement and preparation

These condensed interim consolidated financial statements have been prepared under IFRS in accordance with IAS 34 – *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these condensed financial statements do not include all the information required for full annual statements.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries Global Environomic Systems Corp. and MHI Energy LLC. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions have been eliminated upon full consolidation.

b) Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Estimates (continued)

reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in 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 following:

- Stock based compensation is based upon expected volatility and option life estimates;
- The provision of income taxes is based on judgements in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

c) Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include short term highly liquid investments with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received or receivable are applied against the cost of related assets or expenditures.

e) Marketable securities

Marketable securities are traded on a recognized securities exchange and are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or the closing bid prices on the last day the security traded.

f) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items are measured in terms of historical cost in a currency other than the functional currency and are not translated. Exchange gains and losses arising on translations are included in profit or loss.

g) Equipment

These assets are recorded at cost less accumulated amortization and impairment. Amortization is calculated using the declining balance method to allocate their costs to their residual values over their estimated useful lives as follows:

Furniture and equipment	20%
Computer software	20%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of long-lived assets

At each reporting date, all capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

j) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in contributed surplus are credited to share capital.

k) Income taxes

Income tax on the profit or loss for the periods presented 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, in which case it is recognized in equity.

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

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

l) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period, a reduction to the weighted average number of common shares outstanding. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share. For the periods presented, this calculation proved to be anti-dilutive.

n) Financial instruments

On January 1, 2018 the Company adopted IFRS 9, Financial Instruments. This new standard replaces International Accounting Standards ("IAS") 39. Financial Instruments: Recognition and Measurement.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets and liabilities under IFRS 9:

Financial assets

The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

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

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

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

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (continued)

current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash and equivalents	FVTPL
Receivables	Amortized cost
Marketable securities	FVTPL
Due from related parties	Amortized cost

All financial assets were classified in the same categories under IAS 39 with the exception of marketable securities which were classified as available for sale. On adoption of IFRS 9 on January 1, 2018, \$18,930 in accumulated other comprehensive income was adjusted to deficit.

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

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

Amortized cost - This category includes accounts payable and accrued liabilities, secured convertible debentures and flow-through obligation, all of which are recognized at amortized cost using the effective interest method.

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

The following table shows the classification of the Company's financial liabilities under IFRS 9:

Financial liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Amortized cost
Share subscriptions received in advance	Amortized cost

3. ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICIES

IFRS 16, Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company does not anticipate a material impact on adoption of IFRS 16.

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

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

4. CASH AND EQUIVALENTS

	June 30 2020 (unaudited)	June 30 2019 (unaudited)
Petty cash	\$ 598	\$ 598
Bank and Brokerage house	15,556	1,205
GIC	9,000	9,000
	\$ 25,154	\$ 10,803

5. EQUIPMENT

	Furniture and Equipment	Computer Software	TOTAL
Balance – December 31, 2018			
	\$	\$	\$
Cost			
Accumulated Amortization	(83,026)	(3,252)	(86,278)
	6,430	99	6,529
Movements – year ended December 31, 2019			
Acquisitions			
Write-down ⁽¹⁾	(6,430)	(99)	(6,529)
	Nil	Nil	Nil
Balance – December 31, 2019			
Cost	89,456	3,351	92,807
Accumulated Amortization	(89,456)	(3,351)	(92,807)
	Nil	Nil	Nil
Movements – three months ended June 30, 2020			
Cost	Nil	Nil	Nil
Accumulated Amortization	Nil	Nil	Nil
	Nil	Nil	Nil

⁽¹⁾ The assets' carrying amounts were written down to their recoverable amount of \$Nil

6. MINERAL PROPERTIES

Lithium Properties, Val d'Or, Quebec

(i) Chubb and International Property, Québec

During fiscal 2016, the Company transferred 100% legal and beneficial interest in the Chubb and International claims for a 1% NSR royalty to Globex Mining Enterprises Inc. ("Globex"). Globex shall have the exclusive right to purchase the Company's 1% NSR on the properties for \$200,000 at any time and at Globex's sole discretion.

(ii) Canadian and McNeely Lithium Property, Québec

In fiscal 2016, the Company transferred 100% legal and beneficial interest in the Canadian and McNeely Lithium Property claims in return for a 1% NSR royalty to Globex Mining Enterprises Inc.. Globex shall have the exclusive right to purchase the Company's 1% NSR on the properties for \$200,000 at any time and at Globex's sole discretion.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

7. PROJECT INVESTIGATION COSTS

The Company signed a Definitive Acquisition Agreement (“DA-Agr”), dated April 24, 2018 with Energy Production Services LLC, GEO Exploration LLC, Vance-1 Properties LLC, All Oklahoma LLC, Oil Recovery Systems Inc, General Minerals Corporation, Vance Limited Partnership and including any entity which holds an interest in the Leasehold Estate (the “Seller”), the subject of the DA-Agr.

Under the terms of the Da-Agr, the Company could have acquired all working and overriding royalty interests of a Leasehold Estate, located in Oklahoma, covering wells and oil leases (the “Leasehold Estate”). The purchase price for the acquisition was to be fulfilled through issuance of US\$3,000,000 in debt, to be paid over a period of three years and bearing interest at 5%. The debt was to be secured by the Leasehold Estate.

Initial payments of US\$110,000 (CA\$141,818) were made in two instalments during the year ended December 31, 2018. Also during the year ended December 31, 2018, the Company paid interest of US\$40,000 related to this agreement. All interest payments and advances were provided by a company controlled by a director, Merfin Management Limited (“Merfin”) (Note 8).

In October 2018, the Company was made aware that the wells underlying the agreement had not all be maintained in good standing with the authorities. As a result, the Company was negotiating amended terms to the agreement with the Seller. The costs incurred to date were recognized as project investigation costs and interest expense respectively.

Additional costs of \$17,259 for reports confirming the assets and refreshing a previous report to reflect current oil prices were incurred of which \$9,164 (Note 8) was borne by a director of the Company and also recognized as project investigation cost.

On July 24, 2019, the Company announced the termination of the DA-Agr in accordance with its termination clause. Subsequent to the “Termination”, the representative of the seller of the Okl-1 Project (“Seller”) objected to the issues brought forward by the Company. The Company’s general termination of the proposed acquisition under the DA-Agr will remain effective.

8. ISSUANCE OF PROMISSORY NOTES

On January 28, 2020, the Company signed a Definitive Acquisition Agreement (“DA-Agr”) with Southern Colorado Real Estate Ventures Holdings LLC (“SCRH”) based on a binding Letter of Intent (“LOI”) executed on October 9, 2019. SCRH is incorporated under the laws of the state of Florida, USA holding real estate assets in Florida and Colorado of which consist of real estate tracts and properties, which it assembled over the past five years and leased to RV-parks, agriculture cultivation centers and cannabis dispensaries in Florida and Colorado.

The Company advanced USD \$425,000 (CAD \$559,210) for the benefit of SCRH in order for SCRH to secure interests in various South Florida properties.

Specifically, USD \$250,000 was advanced by the Company, secured by a promissory note, as a down payment for SCRH to secure a buy-out agreement for an additional 40% joint venture interest in the Lazy Lakes recreational vehicle resort in Key West, Florida; USD \$25,000 was advanced by the Company, secured by a promissory note, for SCRH to secure 85% of a strip shopping centre on 74 Component Drive, Pueblo, Colorado; USD \$30,000 was advanced by the Company, secured by a promissory note, for SCRH to secure an interim lease on 74 Component Drive, Pueblo West, Colorado, 81007; and USD \$120,000 was advanced by the Company, secured by a promissory note, for SCRH to secure property on four farms on Galbreth Dr., Pueblo, Colorado, 81005.

On May 15, 2020, the Company announced that it had unwound the Private Placement, returning all of the funds to the subscribers, and executed a Mutual Termination Agreement with SCRH terminating the Definitive Acquisition Agreement and releasing the parties from all obligations related thereto. As part of the unwinding of the Private Placement, promissory notes in connection with the USD \$425,000 (CAD \$559,210) advanced for the benefit of SCRH were transferred to certain subscribers in the Private Placement in lieu of a return of their subscription funds.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

9. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2020 and 2019, the Company entered into the following transactions with related parties.

The Company charged, as a recovery of office expenses, to The Eelleet Network Corp., a company related by common directors and officers, a total amount of \$892 (2019: 1,541).

Key management personnel compensation

The remuneration of key management personnel during the six months ended June 30, 2020 and 2019 were as follows:

	Note	June 30 2020 (unaudited)	June 30 2019 (unaudited)
Share based compensation	(i)	\$ Nil	\$ 1,293

(i) Stock based payments are the fair value of options granted to the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary, which vest partly on grant date and partly on the first and second anniversaries of the grant date.

The following were also included to related parties in accounts payable:

	June 30 2020 (unaudited)	December 31 2019 (audited)
Andrew von Kursell, Director	\$ 9,645	\$ 9,360
Rafael Pinedo, Director	9,164	9,164
Merfin Management Limited	262,065	245,597
	\$ 280,874	\$ 264,121

As at June 30, 2020, the Company recognized due from related parties, being companies with common directors, of \$362 (2019 - \$15).

Also as at June 30, 2020, the Company held 312,500 shares of Nass Valley Gateway Ltd., a company related via common directors until June 2019, valued at \$43,750 (2019: \$18,930).

Advances received from related party

On November 2, 2018, the Company settled the loan of \$1,002,681 by issuing 6,468,910 common shares upon obtaining approval by the TSXV.

On April 5, 2016 the Company's Board of Directors approved the issuance of 127,557 bonus shares valued at \$17,859 to Merfin in recognition of Merfin having provided cash contributions totaling \$89,290 to the Company in fiscal 2014 and 2015.

On November 2, 2018, the Company settled the loan of \$90,826 by issuing 585,975 common shares upon obtaining approval by the TSXV

During the six months ended June 30, 2020, the Company received advances totalling \$262,065 (2019 - \$245,597) from Merfin which were recorded in accounts payable.

Related party loans are summarized as follows:

Mineral Hill Industries Ltd.**Notes to the condensed interim consolidated financial statements****For the six months ended June 30, 2020 and 2019**

Balance owing as at		
	June 30 2020 (unaudited)	December 31 2019 (audited)
Merfin Management Limited in AP	262,065	245,597
Total	\$ 262,065	\$ 245,597

9. SHARE CAPITAL AND RESERVES**a) Authorized share capital**

At June 30, 2020, the authorized share capital comprised of an unlimited number of common shares at no par value. As at June 30, 2020, no class-A preferred shares have been issued by the Company. All issued and outstanding shares are fully paid.

b) Issues of common shares

On December 16, 2019 the Company issued 80,000 common shares as options were exercised at a price of \$0.30 per share for proceeds of \$24,000. An amount of \$18,400 was reclassified from contributed surplus to share capital.

On December 6, 2019 the Company issued 50,000 common shares as options were exercised at a price of \$0.30 per share for proceeds of \$15,000. An amount of \$11,500 was reclassified from contributed to share capital.

On November 2, 2018 the Company issued 7,054,885 shares at \$0.13 per share for a total value of \$917,135 to settle debt totalling \$1,093,507. A gain on settlement of debt was recognized of \$176,372.

On January 12, 2018 the Company issued 218,000 shares related to exercises of options at \$0.14 per share. The Company had received the proceeds and notices of exercise prior to December 31, 2017. On issuance of the shares \$54,388, comprising proceeds of \$30,408 and amounts adjusted from reserves of \$23,980, was transferred from shares to be issued to share capital.

On September 28, 2017 the Company issued 50,000 common shares as options were exercised at a price of \$0.14 per share. An amount of \$5,500 was reclassified from contributed surplus to share capital.

On August 14, 2017 the Company issued 30,000 common shares as options were exercised at a price of \$0.14 per share. \$3,300 was reclassified from contributed surplus to share capital.

c) Stock-based compensation

The Company, in accordance with its modified stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 3,681,837 of currently issued and outstanding common stock. The minimum exercise price of each option equals the closing market price of the Company's stock on the last trading day preceding the date of grant, less any discount permitted by the TSX Venture Exchange. The options can be granted for a maximum term of three years and are subject to vesting provisions as determined by the board of directors of the Company.

No options were granted in the six months ended June 30, 2020 and the year ended December 31, 2019 and 2018.

The weighted average grant fair value of 580,000 options granted on October 30, 2017, was \$0.15 per option. The fair value of these options determined on the day of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.71%, expected life of 3 years; expected volatility of 121.20% and expected dividends of 0%.

For the six months ended June 30, 2020, the total stock-based compensation for options granted and 9.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

SHARE CAPITAL AND RESERVES (continued)

c) Stock based compensation (continued)

vested is \$Nil (2019: \$2,674).

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise price
Stock options outstanding at December 31, 2018	1,310,500	\$ 0.30
Expired/cancelled	(649,500)	-
Exercised	(130,000)	\$ 0.30
Granted	-	-
Stock options outstanding at December 31, 2019	531,000	\$ 0.30
Expired/cancelled	-	-
Exercised	-	-
Granted	-	-
Stock options outstanding at June 30, 2020	531,000	\$ 0.30

Information regarding options outstanding and exercisable as at June 30, 2020:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
October 30, 2020	0.30	531,000	531,000	0.23
	\$ 0.30	531,000	531,000	0.23

d) Warrants

As at June 30, 2020, December 31, 2019 and 2018, the Company had no outstanding warrants to purchase common shares of the Company.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and marketable securities with high-credit quality financial institutions.

Currency risk

The Company currently operates only in Canadian Dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies .

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2020 and 2019

10. FINANCIAL INSTRUMENTS (continued)

will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

Fair value measurements of financial assets and liabilities

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of cash and cash equivalents and marketable securities are determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due to and from related parties and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s statement of financial position as of June 30, 2020 and December 31, 2019 as follows:

Fair Value Measurements Using				
	Level 1	Level 2	Level 3	June 30 2020 (unaudited)
Assets:				
Cash and equivalents	\$ 25,154	\$ -	\$ -	\$ 25,154
Marketable securities	43,750	-	-	43,750
	\$ 68,904	\$ -	\$ -	\$ 68,904

Mineral Hill Industries Ltd.**Notes to the condensed interim consolidated financial statements****For the six months ended June 30, 2020 and 2019****10. FINANCIAL INSTRUMENTS (continued)**

	Fair Value Measurements Using			December 31 2019 (audited)
	Level 1	Level 2	Level 3	
Assets:				
Cash and equivalents	\$ 17,950	\$ -	\$ -	\$ 17,950
Marketable securities	18,930	-	-	18,930
	\$ 36,880	\$ -	\$ -	\$ 36,880

11. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' deficiency. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the six months ended June 30, 2020. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

12. SUBSEQUENT EVENTS

There are no subsequent events to record.