

MINERAL HILL INDUSTRIES LTD.
(the “Company”)
Form 51-102F6
STATEMENT OF EXECUTIVE COMPENSATION
(for the year ended December 31, 2019)

General

For the purposes of this Statement of Executive Compensation:

“CEO” means an individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

“CFO” means an individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

“Named Executive Officer” or “NEO” means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 as determined in accordance with applicable securities laws; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity at the end of the most recently completed financial year.

Based on the foregoing definition, during the last completed fiscal year of the Company, the Company had two NEOs, namely, Dieter Peter, CEO and Andrew von Kursell as Interim CFO.

Compensation Discussion and Analysis

Role of the Corporate Governance & Human Resources Committee

On December 16, 2016, the Company appointed a CGHRC for the ensuing year. The CGHRC is responsible for annually reviewing the Company’s compensation arrangements with its executive officers. When reviewing the compensation of the executive officers, the CGHRC considers the objectives of: (i) recruiting and retaining the executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. The CGHRC has the responsibility of negotiating the senior executive officers’ total compensation package, reviewing and advising on stock option guidelines, including making recommendations on specific option grants and to review and communicate to the Board the compensation policies and principles that will be applied to other executives and employees of the Company.

On December 11, 2017 the CGHRC was dissolved as the agreement that was instrumental in appointing the CGHRC the previous year was terminated. The Board of Directors now has the responsibility for

determining compensation for the Directors and senior management. As such in the following paragraphs the “CGHRC” is interchangeable with the “Board of Directors”.

Compensation Philosophy

All employees of the Company receive compensation based on market value for the type of role they perform. Additional consideration is given to internal pay equity and performance. Currently, the compensation payable to employees consists of long-term incentives by way of the grant of stock options in accordance with the policies of the TSX Venture Exchange (“TSXV”) and the Company’s Stock Option Plan as long-term incentives.

Base Salary

Although no NEO of the Company received, by mutual agreement, a base salary during the year ended December 31, 2019, in the CGHRC’s view, paying base compensation that is competitive in the market in which the Company operates, can and will be a first step to attracting and retaining talented, qualified and effective executives as soon as a sustainable financial situation has been established for the Company.

The base salary of each particular executive officer was and will again be determined by an assessment by the CGHRC of such executive officer’s performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive officer played in such company performance.

Long-Term Incentive

The incentive component of the Company’s compensation program is the potential longer term reward provided through the grant of stock options. The Company’s Stock Option Plan is intended to attract, retain and motivate officers and Directors of the Company and to align the interests of those individuals with those of the Company’s shareholders. The Company grants stock options to executive officers, consultants and employees in accordance with the policies of the TSXV. On March 29, 2005, the Board approved the adoption of a new stock option plan, which was approved by the shareholders at the 2005 annual meeting. It replaced a previous stock option plan. The stock option plan was subsequently amended and approved by the Company’s shareholders at the annual meeting on June 27, 2012 and again on November 27, 2014, December 18, 2018 and December 18, 2019.

The Stock Option Plan provides that the number of common shares under the Stock Option Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 20% of the total number of issued and outstanding common shares. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis. The Stock Option Plan must be approved by a majority of the votes cast by shareholders other than insiders or their associates to whom shares may be issued pursuant to the New Stock Option Plan if the number of options granted to insiders exceeds 10% of the issued shares of the Company. The objective of granting options is to encourage executive officers to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive for such executive officer to consider the long-term interests of the Company and its shareholders.

When determining the number of stock options to be granted to an executive officer, the Board of Directors takes into account the number and terms of outstanding stock options and vesting provisions when determining whether or not new stock option grants should be made to such executive officer.

CEO’s Compensation

The components of the CEO’s compensation are the same as those that apply to all of the Company’s executive officers, namely base compensation and long-term incentives in the form of stock options. Due

to the Company's tight budget, since 2014 the CEO has not received base compensation (salary) from the Company. The general compensation philosophy of the Company for executive officers is to provide a level of compensation that is competitive within the North American marketplace and that will attract and retain individuals with the experience and qualifications necessary for the Company to be successful, and to provide long-term incentive compensation which aligns the interest of executives with those of the shareholders and provide long-term incentives to members of senior management whose actions have a direct and identifiable impact on the performance of the Company and who have had a material responsibility for long-range strategy development and implementation.

In establishing the CEO's compensation, the CGHRC reviews salaries paid to other CEOs in the industry for companies of similar size and stage of development and the CEO's contribution to the affairs of the Company and makes recommendations with respect to the CEO compensation to the Board. In their review, the Board of Directors took in to consideration that both the CEO and the CFO provide administrative services to public companies with common directors and officers, for which the Company (not the Executives) receives reimbursements of 60% of the monthly salaries of the CEO and CFO from the related companies for which such services are provided, as reflected in the Company's Financial Statements which have been filed on SEDAR.

The Board of Directors meets to discuss and determine executive compensation without reference to formal objectives, criteria or analysis. In making its determinations regarding the various elements of executive compensation, the Board of Directors does not benchmark its executive compensation program.

During 2016, the Board of Directors was responsible for all issues and responsibilities pertaining to the CGHRC. On December 16, 2016, the Board established a CGHRC in anticipation of completing a contracted acquisition of an oil and gas company ("Acquisition-Target-2016") which was dissolved on December 11, 2017 due to non-compliance of the contacted term by the Acquisition-Target. From that time forward, the Board of Directors assumed the responsibilities of the CGHRC.

Elements of Compensation

The Company's executive compensation policy consists of an annual base salary and long term incentives in the form of stock options granted under the Company's Stock Option Plan.

Since January 2014, the President & CEO, the interim CFO and the Senior Assistant to the CFO of the Company (the "Team Members") forfeited their base salaries for the time being in order to keep the company in good standing for as long as it is not in the position to provide competitive pay that reflects each of the Team Members' primary duties and responsibilities and the level of skill and experience required to successfully perform their role. As soon as the Company has reached a sustainable financial situation, the Company intends to pay base salaries to the Team Members that are competitive with those for similar positions in the mining industry to attract and retain executive talent in the market in which the Company competes for talent. Base salaries of officers are reviewed annually by the Board of Directors.

Compensation Policies and Risk Management

The Board of Directors considers the implications of the risks associated with the Company's compensation policies and practices when determining rewards for its officers. Commencing in 2012, the Board of Directors intends to review at least once annually the risks, if any, associated with the Company's compensation policies and practices at such time.

The Company's executive compensation was and will be comprised of short-term compensation in the form of a base salary and long-term ownership through the Company's Stock Option Plan. This structure ensures that a significant portion of executive compensation (stock options) is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-

term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their compensation at the expense of the Company and the shareholders is extremely limited. Furthermore, the short-term component of executive compensation (base salary) represents a relatively small part of the total compensation. As a result, it is unlikely an officer would take inappropriate or excessive risks at the expense of the Company or the shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Due to the small size of the Company and the current level of the Company's activity, the Board of Directors is able to closely monitor and consider any risks which may be associated with the Company's compensation policies and practices. Risks, if any, may be identified and mitigated through regular Board meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Hedging of Economic Risks in the Company's Securities

The Company has not adopted a policy prohibiting Directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by Directors or officers. However, the Company is not aware of any Directors or officers having entered into this type of transaction.

Option-Based Awards

The Company's Stock Option Plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX Venture Exchange, and closely align the interests of the executive officers with the interests of shareholders.

The Board of Directors as a whole has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

Compensation Governance

Options are granted at the discretion of the Board of Directors, which considers factors such as how other junior exploration companies grant options and the potential value that each optionee is contributing to the Company and the various board committees. The number of options granted to an individual is based on such considerations.

Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 "**Statement of Executive Compensation**" (the "**Form 51-102F6**")) sets forth all annual and long term compensation for services in all capacities to the Company for the most recently completed financial year (to the extent required by Form 51-102F6) in respect of each of the individuals comprised of the CEO and the CFO and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at December 31, 2019 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year (collectively the "**Named Executive Officers**" or "**NEOs**").

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽²⁾⁽³⁾⁽⁴⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Dieter Peter, CEO	2019	Nil	Nil	\$ 757	Nil	Nil	Nil	Nil	\$ 757
	2018	Nil	Nil	\$11,031	Nil	Nil	Nil	Nil	\$11,031
	2017	Nil	Nil	\$37,611	Nil	Nil	Nil	Nil	\$37,611
Andrew von Kursell, Interim CFO	2019	Nil	Nil	\$ 536	Nil	Nil	Nil	Nil	\$ 536
	2018	Nil	Nil	\$ 8,002	Nil	Nil	Nil	Nil	\$ 8,002
	2017	Nil	Nil	\$25,908	Nil	Nil	Nil	Nil	\$25,908

- (1) These amounts represent the value of stock options granted to the respective Named Executive Officer. The methodology used to calculate these amounts was the Black-Scholes-Merton model. This is consistent with the accounting values used in the Company's financial statements. The dollar amount in this column represents the total value ascribed to the stock options.

Incentive Plan Awards

The following table provides information regarding the total incentive plan awards for each Named Executive Officer outstanding as of December 31, 2019.

Outstanding Share-Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option Exercise Price	Option Expiration Date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share based awards not paid out or distributed (\$)
Dieter Peter CEO	118,000	\$0.30	Oct 30, 2020	Nil ⁽¹⁾	Nil	Nil	Nil
Andrew von Kursell, Interim CFO	99,000	\$0.30	Oct 30, 2020	Nil ⁽¹⁾	Nil	Nil	Nil

- (1) The closing price of the Common Shares on the TSXV on April 30, 2019 was \$0.15. The value of 24,000 and 17,000 unexercised in-the-money options that vested at that date was calculated by subtracting the exercise price of the options from the last closing price. These stock options have not been, and may not be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for each Named Executive Officer for the financial year ended December 31, 2019.

Value Vested or Earned During the Financial Year Ended December 31, 2019

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Dieter Peter, <i>CEO</i> ⁽¹⁾	\$Nil	Nil	Nil
Andrew von Kursell, <i>CFO</i> ⁽²⁾	\$Nil	Nil	Nil

⁽¹⁾ 24,000 options at an exercise price of \$0.30 vested on April 30, 2019. The Company's share price at the close of market on April 30, 2019 was \$0.15. Therefore no value would have been realized if the options had been exercised on the vesting date.

⁽²⁾ 17,000 options at an exercise price of \$0.30 vested on April 30, 2019. The Company's share price at the close of market on April 30, 2019 was \$0.15. Therefore no value would have been realized if the options had been exercised on the vesting date.

The following table provides details regarding stock options exercised and sold by the Named Executive Officers during the financial year ended December 31, 2019.

Option Exercised During the Financial Year Ended December 31, 2019

Name	Number of options exercised and sold	Option exercise price	Value realized (\$)
Dieter Peter, <i>CEO</i> ⁽¹⁾	Nil	Nil	Nil
Andrew von Kursell, Interim CFO from June 17, 2014	Nil	Nil	Nil

⁽¹⁾ 80,000 options were exercised but not sold during the year ended December 31, 2019.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Termination and Change of Control Benefits

The Company has a consulting agreement with MerFin Management Limited and Dieter Peter, a Named Executive Officer, pursuant to the terms of which the Company pays an annual consulting fee in the amount of \$110,000 to MerFin Management Limited. In February 2014 the consulting agreement with MerFin Management Limited was suspended until financing of the Company can be obtained. This suspension was still in effect as at December 31, 2019.

On February 15, 2012, the Company entered into a management agreement with Infogen Research Limited and Andrew H. von Kursell, a Named Director and interim CFO, pursuant to the terms of which the Company pays an annual management fee in the amount of \$36,000 to Infogen Research Limited to fill the day to day responsibilities imposed on the Corporation. The management agreement with Infogen Research Limited provides that, in the event of a termination of the consulting agreement without cause by either the Company or Infogen Research Limited (the "Parties"), the Parties provide each other with ninety (90) days written notice of such termination. In February 2014 the management agreement was suspended until financing of the Company can be obtained. This suspension was still in effect as at December 31, 2019.

The Company and its subsidiaries have no other compensatory plan, contract or arrangement where a Named Executive Officer is entitled to compensation in the event of resignation, retirement or other

termination, a change of control of the Company or its subsidiaries or a change in responsibilities following a change in control. There are no conditions or obligations which MerFin Management Limited has to comply with in order to receive its severance fee.

DIRECTOR COMPENSATION

No compensation was provided to the Directors, who are each not also a Named Executive Officer, for the Company's most recently completed financial year.

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company or its subsidiaries for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Statement of Executive Compensation.

The Company has a Stock Option Plan for the granting of incentive stock options to the officers, employees and Directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

Director Compensation Table

The following table sets forth all amounts of compensation provided to the Directors, who are not also a Named Executive Officer, for the financial year ended December 31, 2019.

	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan	Pension Value (\$)	All other compensation (\$)	Total (\$)
Grant Hendrickson	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rafael Pinedo to December 18, 2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eric Peter-Kaiser	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Milo Filgas	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Lawrence Taube, elected December 18, 2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table provides information regarding the incentive plan awards for each non-executive director outstanding as of December 31, 2019.

	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option Exercise Price	Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Milo Filgas	52,500 ⁽¹⁾	\$0.30	Oct 30, 2020	Nil	Nil	Nil
Eric Peter-Kaiser	67,500 ⁽¹⁾	\$0.30	Oct 30, 2020	Nil	Nil	Nil
Rafael Pinedo	75,500 ⁽¹⁾	\$0.30	Oct 30, 2020	Nil	Nil	Nil
Grant Hendrickson	63,000 ⁽¹⁾	\$0.30	Oct 30, 2020	Nil	Nil	Nil
Lawrence Taube	Nil	N/A	N/A	Nil	Nil	Nil

⁽¹⁾ All unexercised options at an exercise price of \$0.30 vested in the prior year.

The following table provides information vested or earned of incentive plan awards for each non-executive director for the financial year ended December 31, 2019.

Value Vested or Earned During the Financial Year Ended December 31, 2019

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Milo Filgas	Nil	Nil	Nil
Eric Peter-Kaiser	Nil	Nil	Nil
Grant Hendrickson	Nil	Nil	Nil
Rafael Pinedo	Nil	Nil	Nil
Lawrence Taube	Nil	Nil	Nil

No options vested in 2019.