

MINERAL HILL INDUSTRIES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)

MINERAL HILL INDUSTRIES LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mineral Hill Industries Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mineral Hill Industries Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred cumulative loss of \$19,067,601 to December 31, 2022 and, as of that date, the Company's current liabilities exceeded its current assets by \$19,217. As stated in Note 1, these events and conditions 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 12, 2023

Mineral Hill Industries Ltd.
Consolidated statements of financial position
(Expressed in Canadian Dollars)

	December 31 2022	December 31 2021
	\$	\$
ASSETS		
Current assets		
Cash and equivalents (Note 4)	134,229	29,337
Receivables	432	4,215
Prepaid expenses	614	10,563
	135,275	44,115
Exploration and evaluation assets (Note 5)	109,904	104,904
Due from related parties (Note 6)	290	290
	245,469	149,309
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	142,217	141,962
Flow through share premium liability (Note 10)	-	7,152
Provision for indemnity (Note 10)	12,275	-
	154,492	149,114
Shareholders' equity (deficiency)		
Share capital (Note 7)	17,461,839	17,311,839
Reserves	1,696,739	1,696,739
Deficit	(19,067,601)	(19,008,383)
	90,977	195
	245,469	149,309

Nature and continuance of operations (Note 1)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 12th, 2023 and were signed on its behalf:

"Dieter Peter"
Dieter Peter, Director

"Eric Peter-Kaiser"
Eric Peter-Kaiser, Director

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

Mineral Hill Industries Ltd.
Consolidated statements of comprehensive loss
(Expressed in Canadian Dollars)

For the years ended December 31

	2022	2021
Expenses		
Bank charges and interest	\$ 2,486	\$ 3,014
Currency exchange	-	(3,651)
Investor relations	5,256	6,787
Office and miscellaneous (Note 6)	1,497	1,528
Professional fees	29,057	24,917
Development & consulting cost	-	8,972
Transfer agent and filing fees	15,808	20,089
Loss on settlement of debt (Notes 6 and 7)	-	31,857
Gain on reversal of flow through premium liability (Note 10)	(1,250)	(18,101)
Indemnity of flow through shares (Note 10)	6,373	-
Interest income	(9)	(55)
Loss and comprehensive loss for the year	(59,218)	(75,357)
Loss per common share, basic and diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding:		
Basic and diluted	20,737,958	19,632,781

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

Mineral Hill Industries Ltd.
Consolidated statements of cash flows
(Expressed in Canadian Dollars)

Years ended December 31

	2022	2021
Cash flows from operating activities		
Loss for the year	\$ (59,218)	\$ (75,357)
<i>Items not affecting cash:</i>		
Loss (gain) on settlement of debt	-	31,857
Gain on reversal of flow through premium liability	(1,250)	(18,101)
Provision on flow through share indemnity	6,373	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	3,783	(2,973)
(Increase) decrease in prepaid expenses	9,949	(3,977)
Decrease (increase) in accounts payable and accrued liabilities	255	1,783
Net cash used in operating activities	(40,108)	(66,768)
Cash flows from investing activities		
Exploration and evaluation asset additions	(5,000)	(82,404)
Net cash used in investing activities	(5,000)	(82,404)
Cash flow from financing activities		
Proceeds from the issuance of common shares, net	150,000	162,511
Net cash provided by financing activities	150,000	162,511
Increase in cash and equivalents	104,892	13,339
Cash and equivalents, beginning of the year	29,337	15,998
Cash and equivalents, end of the year	\$ 134,229	\$ 29,337

Supplemental cash flow disclosures

There were no significant non-cash investing or financing activities for the year ended December 31, 2022.

Non-cash investing and finance activities during the year ended December 31, 2021:

- Shares issued to settle debt in the amount of \$318,568
- Shares issued for Dot-Apex option in the amount of \$22,500
- Flow through share premium liability recognized on issuance of \$25,253
- Shares issued to settle debt of \$41,550

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

Mineral Hill Industries Ltd.
Consolidated statements of changes in shareholders' equity (deficiency)
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of shares	Amount	Reserves	Deficit	Total
		\$	\$	\$	\$
Balance, December 31, 2020	18,539,188	16,791,963	1,696,739	(18,933,026)	(444,324)
Issuance of shares for debt	1,274,271	318,568	-	-	318,568
Comprehensive loss for the year	-	-	-	(75,357)	(75,357)
Issuance of shares for proceeds - non flow through	474,648	106,796	-	-	106,796
Issuance of shares for proceeds - flow through	336,700	101,010	-	-	101,010
Flow through share premium liability	-	(25,253)	-	-	(25,253)
Share issuance costs	-	(3,745)	-	-	(3,745)
Dot Apex option-issuance of shares	100,000	22,500	-	-	22,500
Balance, December 31, 2021	20,724,807	17,311,839	1,696,739	(19,008,383)	195
Comprehensive loss for the year	-	-	-	(59,218)	(59,218)
Issuance of shares for net proceeds	600,000	150,000	-	-	150,000
Balance, December 31, 2022	21,324,807	17,461,839	1,696,739	(19,067,601)	90,977

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

Mineral Hill Industries Ltd.

Notes to the consolidated financial statements For the year ended December 31, 2022 and 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and has a principal focus of the acquisition and exploration of mineral properties. 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 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 has cumulative losses of \$19,067,601 to December 31, 2022 and as of that date the Company's current liabilities exceeded its current assets by \$19,217. 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While this had not had a material impact on the Company to date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Basis of measurement and preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments 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 consolidated 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 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Estimates (continued)

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;
- The impairment of exploration and evaluation assets is influenced by judgement in determining indicators of impairment and estimates to measure impairment losses.

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) 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.

e) 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.

f) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

The Company may issue units including common shares and warrants. To value these units, the Company uses the residual value method. Under this method the Company values the common share, the easier component to value, and assigns the residual value to the warrant.

g) Flow-Through Shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time of the Company issuing flow-through shares, any premium paid is deferred and presented as flow through share premium liability in the statement of financial position. The premium is measured as the difference, if any, between the current market price of the Company's common shares and the issue price of the flow-through shares. Upon incurring eligible resource exploration and evaluation expenditures, the Company recognizes the flow-through share premium on the statement of comprehensive loss and reduces the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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 good 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 reserves are credited to share capital.

i) 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.

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.

j) Income/loss per share

Basic income/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 income/loss per share. For the periods presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income/loss per share

Basic income/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 income/loss per share. For the periods presented, this calculation proved to be anti-dilutive.

k) Financial instruments

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 comprehensive loss. 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 comprehensive loss 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 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
Due from related parties	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

Financial liabilities

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 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 comprehensive loss 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

l) Exploration and evaluation assets

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition and site restoration are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. The ultimate recoverability of amounts capitalized for mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof.

Exploration and evaluation expenditures and mineral interest acquisition and site restoration costs are capitalized as exploration and evaluation assets as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

m) Provisions

Asset retirement obligation

The Company records the present value of estimated costs of legal and constructive obligations required to restore its mineral properties in the period in which the obligation is incurred. The obligation for asset retirement obligations are estimated by the Company using discounted cash flows which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws, and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Provisions (continued)

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to the statement of operations and comprehensive income (loss).

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against the statement of comprehensive loss as extraction progresses. The Company did not have any reclamation obligations as at December 31, 2022 or 2021.

Other provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

n) Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or groups of assets, in which case, the asset is tested as part of a larger CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset/CGU. In determining FVLCS, recent market transactions are considered.

If no such transactions can be identified, an appropriate valuation model is used, which would generally be determined based on the present value of the estimated future cash flows arising from the continued use and eventual disposal of the asset. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or the other available fair value indicators.

Impairment losses on continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued when revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in profit or loss unless the asset is carried at a

Mineral Hill Industries Ltd.
Notes to the consolidated financial statements
For the year ended December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment of long-lived assets (continued)

revalued amount, in which case, the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

3. ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICIES

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

4. CASH AND EQUIVALENTS

	December 31 2022	December 31 2021
Petty cash	\$ 598	\$ 598
Bank and Brokerage house	124,631	19,739
GIC	9,000	9,000
	\$ 134,229	\$ 29,337

5. 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% Net Smelter Returns (“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.

(iii) Apex Claims and Ace Claims, British Columbia

On December 24, 2020, the Company entered into a definitive Earn-In Option Agreement (“**EIO Agreement**”) with Cardinal Geoconsulting Ltd. (“**Owner**”) to acquire up to a 100% interest in the Dot-Apex Claim Group (“**Apex Claims**”) and the Master-ACE Claim Group (“**ACE Claims**”), located in south-western British Columbia.

On September 7, 2021, the Company exercised its option to acquire an initial 20% interest in the Apex claims by paying the owner \$10,000 cash, incurring the required exploration expenditures and issuing 100,000 common shares of the Company for \$0.225 per share for a total value of \$22,500.

Subject to the Company having exercised the initial 20% option and delivering notice, the Owner will grant the Company a second option to acquire a further 80% interest in the Apex Claims, bringing its total earned interest from 20% to 100%, by: (a) paying to the Owner \$15,000 cash; (b) issuing 150,000 common shares to the Owner; and (c) incurring or funding \$125,000 of exploration expenditures on the Apex Claims before the second anniversary of the Effective Date.

As at December 31, 2022, the Company had not exercised its second option to acquire a further 80% interest in the Apex Claims.

The Owner will retain a 2% net profit interest royalty on the Apex Claims and the ACE Claims.

Mineral Hill Industries Ltd.
Notes to the consolidated financial statements
For the year ended December 31, 2022 and 2021

5. MINERAL PROPERTIES (continued)

(iii) **Apex Claims and Ace Claims, British Columbia** (continued)

The following table illustrates the earning of 20% of the Dot Apex claims:

Dot Apex Claim Group	Total acquisition costs to December 31, 2021 and 2022	
Acquisition – cash	\$	10,000
100,000 shares		22,500
Total	\$	32,500

The following table illustrates the expenditures made on the Dot Apex claims as at December 31, 2021 and 2022:

Dot Apex Claim Group	Year ended December 31, 2021	Year ended December 31, 2022	Total exploration expenditures
Base camp expenses	\$ 5,088	-	5,088
Exploration manager	31,460	-	31,460
Field survey materials	410	-	410
Helicopter and ATV expenses	12,176	-	12,176
Laboratory	10,544	-	10,544
Prospector- Sampling crew	7,776	-	7,776
Road repair & upgrade	4,950	-	4,950
Assessment report	-	5,000	5,000
Total	\$ 72,404	5,000	77,404

The exploration was put on hold in August 2022 due to a proposal by the “Kanacka Bar Indian Band” regarding the Indigenous Protected and Conversation Area (“IPCA”). The proposal is its initial stages of an application process with the Federal and Provincial governments to reclaim their traditional territories. The Company has yet to be contacted by the Indian Band or the Government.

6. RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer and directors of the Company

During the year ended December 31, 2022 and 2021, the Company entered into the following transactions with related parties.

The Company charged, as a recovery of office expenses, to The Elleet Network Corp., a company related by common directors and officers, a total amount of \$2,536 (2021: \$1,721).

As at December 31, 2022, the Company recognized due from related parties, being companies with common directors, of \$290 (2021 - \$290).

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For the year ended December 31, 2022 and 2021

6. RELATED PARTY TRANSACTIONS (continued)

Advances received from related party

During the year ended December 31, 2021, the Company settled payables, including the amounts advanced during December 31, 2020, of \$277,066 and \$9,645 to Merfin Management Limited and Andrew von Kursell for the issuance of 1,231,404 and 42,867 common shares respectively (Note 7).

7. SHARE CAPITAL AND RESERVES

a) Authorized share capital

At December 31, 2022, the authorized share capital comprised of an unlimited number of common shares at no par value. As at December 31, 2022, 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 23, 2022, the Company issued 600,000 common shares for proceeds of \$150,000 upon closing of a non-brokered private placement.

On September 7, 2021 the Company issued 474,648 units for proceeds of \$106,796 (including \$41,550 in settled accounts payable) upon closing of a private placement. Each unit contained a common share and a share purchase warrant exercisable at \$0.30 for the first year and \$0.34 in the year following.

On September 7, 2021 the Company issued 336,700 common shares for proceeds of \$101,010 upon closing of a private placement. These shares are designated as Flow-Through-Shares which will qualify as "flow-through-mining expenditures" under the Income Tax Act (Canada). The Company recognized a flow through premium liability on issuance of \$25,253 (Note 10).

The issuance cost for the private placements consisted of \$3,745 for legal costs.

On September 7, 2021, the Company issued 100,000 common shares to Cardinal Geoconsulting Ltd. for the acquisition of an initial 20% interest in the Dot-Apex Claim Group in accordance with the executed EIO-Agreement announced on December 24, 2020. The shares were recognized at a fair value of \$22,500.

On May 14, 2021 the Company issued 1,274,271 common shares to settle outstanding debts of \$277,066 and \$9,645 for a total of \$286,711 to related parties. The shares had a fair value on issuance of \$318,568. The difference of \$31,857 was recognized as a loss on settlement.

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 a maximum of 20% 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 years ended December 31, 2022 and 2021.

There are no options outstanding and exercisable as at December 31, 2022 and 2021.

d) Warrants

On September 7, 2021 the Company issued 474,648 warrants upon closing of its private placement.

As at December 31, 2022, the Company had the following outstanding warrants to purchase common shares of the Company:

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7. SHARE CAPITAL AND RESERVES (continued)

d) Warrants (continued)

	Number of warrants	Exercise price to September 7, 2022	Exercise price to September 7, 2023	Expiry date
Warrants outstanding at December 31, 2020	-	\$ -	\$ -	-
Granted/exercised/expired	474,648	\$ 0.30	\$ 0.34	Sept 7, 2023
Warrants outstanding at December 31, 2021 and 2022	474,648	\$ 0.30	\$ 0.34	Sept 7, 2023

8. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows (2022– 27%; 2021 – 27%):

	2022	2021
Income/(loss) for the year	\$ (59,218)	\$ (75,357)
Expected income tax expense (recovery)	\$ (16,000)	\$ (20,000)
Non-deductible items	-	(5,000)
Changes in tax rates and other	-	(2,000)
Change in unrecognized temporary differences	(3,000)	27,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	19,000	-
Total income tax expense (recovery)	\$ -	\$ -

Deductible temporary differences, unused tax losses and unused tax credits that are not included in deferred tax assets on the statement of financial position are as follows:

	Expiry date range	2022	2021
		\$	\$
Allowable capital losses	Not applicable	2,870,000	2,870,000
Non-capital losses	2026 to 2042	4,791,000	4,731,000
Capital assets	Not applicable	249,000	249,000
Exploration and evaluation assets	Not applicable	3,367,000	3,445,000

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, due from related parties and accounts payable and accrued liabilities. 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, receivables and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

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For the year ended December 31, 2022 and 2021

9. FINANCIAL INSTRUMENTS (continued)

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 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 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. 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

The 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 equivalents 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 December 31, 2022 as follows

	Fair Value Measurements Using			December 31 2022
	Level 1	Level 2	Level 3	
Assets:				
Cash and equivalents	\$ 134,229	\$ -	\$ -	\$ 134,229
	\$ 134,229	\$ -	\$ -	\$ 134,229

Mineral Hill Industries Ltd.

Notes to the consolidated financial statements

For the year ended December 31, 2022 and 2021

10. COMMITMENT

During the year ended December 31, 2021 the Company issued 336,700 common shares for proceeds of \$101,010 from flow through share financings, resulting in a flow through share premium liability of \$25,253 on issuance. During the year ended December 31, 2022, the Company spent \$5,000 (2021 - \$72,404) on exploration and recorded a recovery of flow through share premium liability of \$1,250 (2021 - \$18,101). As at December 31, 2022 flow through funds of \$23,606 remained unspent. The remaining flow through share premium liability of \$5,902 was replaced with a provision of \$12,275 with an indemnity on flow through shares of \$6,373 recorded on the statement of comprehensive loss.

11. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. 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 year ended December 31, 2022. 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.