



# MINERAL HILL INDUSTRIES LTD.

## Management Discussion and Analysis

First Quarter, Fiscal 2016  
Ended March 31, 2016

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Mineral Hill Industries Ltd. (the "Company" or "MHI") and the financial performance for the three months ended March 31, 2016. This discussion and analysis should be read in conjunction with the condensed interim consolidated financial statements and related notes as at, and for the three months ended March 31, 2016 and 2015. Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee. The majority of the audit committee is comprised of independent directors who review and prior to its publication, approve, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

All amounts are in Canadian dollars unless otherwise noted and prepared in accordance with International Financial Reporting Standards ("IFRS").

### **Current market conditions**

The recent and current global financial conditions are still having a negative impact on the economic environment in which the Company operates. Access to public financing has significantly diminished for junior exploration companies as a direct result. If the current conditions continue, the Company's ability to operate will be adversely impacted and the trading price of the Company's shares could continue to be under a downward pressure.

### **Overview**

MHI was actively engaged in the acquisition and exploration of natural resources but in the last four years has experienced extreme difficulties raising sufficient funds for mining exploration properties due to the economic climate in particular for the mining sector. The Company, therefore, switched its main focus to completing its due diligence on the energy projects and away from its gold exploration project in California, USA and its lithium exploration in Québec, Canada.

Due to the financial uncertainty on the global scene, the Company was unable to secure the financing necessary to continue with the development of the Liberty Hill Gold mine and therefore terminated the "earn-in agreement". During the quarter ended September 30, 2015, the termination went into effect and the Company recorded \$308,448 as impairment on its assets.

During 2015, the Company had entered into a very extensive due diligence process on the Avis Energy Global Holdings Inc. ("AEG") project based on an executed Letter of Intent ("LOI") which MHI announced on November 17, 2014. This project included an extremely viable green energy technology and an offer of a very attractive private placement financing proposal but required a far more extensive due diligence process than initially expected in respect to the proposed ownership of the technology and its financing proposal.

The extensive due diligence process, during the first nine months of 2015, which included a trip to Europe by the Company's President, was concluded and the Company determined that an involvement with AEG was not in the best interest of the shareholders due to the uncertainty of the ownership of the patents and the questionable authenticity of certain documentations and financial matters. A letter to AEG formally terminating the LOI with AEG was issued on November 26, 2015. At the same time the Company investigated alternative opportunities within the exploration of natural resources and energy industry.

The Company is a reporting issuer in Alberta and British Columbia and its common shares are trading on the TSX Venture Exchange under the symbol "MHI" and its common shares are also

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

co-listed on two other exchanges, Frankfurt Freiverkehr and OTC Markets.

As at May 20, 2016, the Company has 10,948,803 common shares outstanding, after the TSXV approved 127,557 bonus shares to Merfin Management Limited.

### **Highlights of Events**

The following are highlights of events occurring during the three months ended March 31, 2016 and subsequent thereto:

In a news release on Nov 17, 2014, the Company announced the extension of its business by joining AEG in the development of green energy and executed a comprehensive Letter of Intent ("LOI"). Due to continuing delays of promised financings, the Company's Executive went overseas to investigate directly with the Inventors about the proposed rights and ownership of the technology. The Company was not able to verify AEG's statements to its full satisfaction and determined that it was in the Company's best interest to formally terminate its "LOI" November 26, 2015.

On April 26, 2016, the Company announced that after careful analysis of the potential value of its Lithium claims located in Quebec, Canada (the "LI-Claims"), which the Company had already impaired in its 2014 financial statements, and in comparing the mounting cost of keeping the remaining claims in good standing in consideration to the Company's unsuccessful attempts to secure funding for continued exploration on the property, the Board of Directors (the "Board") decided that it was in the best interest of the shareholders to divest said claims.

After due deliberation the Board decided that the Company's value would better enhanced by focusing on the development of its natural resources subject to the announcement on April 21, 2016 of the executed Share Purchase Agreement ("SPA") with twelve shareholders ("Shareholders-SPA") of CPS Energy Resources Plc ("CPS") and therefore the Company entered into an agreement with a non-related mining exploration company to transfer its LI-Claims, to this mining company. The Company retains a 1% NSR on any metal produced, the NSR can be purchased for a combined total of \$400,000.

During the second half of 2015, the Company actively investigated other alternatives within the natural gas and oil industry segment as well as alternative waste-to-energy technologies to increase shareholders' value. MHI signed a Heads of Terms ("HOT" or "LOI") on November 26, 2015 with major shareholders of an energy company, CPS Energy Resources Plc ("CPS"), to acquire 45% of the CPS's assets under terms and conditions to be disclosed upon completion of the final agreement and is subject to regulatory approval. CPS is an upstream off-shore natural gas and oil company which holds the rights to 80.75% of a "Production Sharing Contract" covering the exploration, development and production licenses over designated areas. On March 01, 2016 the Company amended the previous HOT to a Share Purchase Agreement ("SPA") with several major shareholders representing 45% of the shareholdings in CPS. On April 29, 2016 the Company received from the TSX the conditional acceptance of the Fundamental Acquisition and on May 09, 2016 the shares of the Company resumed trading.

### ***Overall Performance***

#### **Financing**

During the first (1<sup>st</sup>) quarter of 2015 management received verbal commitments from overseas and domestic investors for their participation in a proposed private placement but the company was not able to close any equity funding due to the reluctance of investors to sign the final subscription agreement caused by the volatility of the gold market and the HUI- Index performance. In order to support the Company in its effort to meet its basic commitments, Merfin Management Limited ("Merfin") and Infogen Research Limited ("Infogen") agreed to suspend their

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

respective outstanding loans and contracted consulting fees subsequent to February 1, 2014 until a sufficient financing can be completed. Merfin, a holding company of which MHI's CEO is the President and beneficial part-owner, provided cash advances of \$68,290 in the year ended 2015 (2014: \$122,500). All outstanding loans to the Company's lenders bear a monthly compounded interest rate of at 8.5% per annum.

Due to insufficient funds to perform a meaningful exploration program on its Lithium properties during the year ended December 31, 2015, the Company decided to impair the properties and record it as impairment of assets. During the month of April, 2016 the Board of Directors approved the transfer of 100% legal and beneficial interest in its lithium claims that had been impaired in fiscal 2014 to a mining exploration company in return for a 1% NSR royalty. The mining exploration company has the right to purchase the Company's 1% NSR on the properties for \$400,000 at any time.

During the fourth (4<sup>th</sup>) quarter of 2014, the company negotiated a possible reversed takeover ("RTO") with Avis Energy Global Holdings Inc. ("AEG"), including a significant private placement financing through the AEG group which was announced on November 17, 2014. Due to the complexity of the AEG structure, the size of the funding for a production facility to be erected in Canada, and the continuing misrepresentation by AEG, the due diligence process took longer than initially anticipated. The Management of MHI realized that the proposed RTO with the presented structure of AEG could not be realized as MHI's Management had been unable to satisfy itself on the validity of some issues with the ownership of the technology. During its due diligence review management considered alternative solutions within the energy industry and also other green energy related industry sectors.

In the Company's search to find alternative projects, MHI was approached by shareholders of an energy resources company (the "Target-Company") in June 2015 and started exploratory talks which culminated in a signed Head of Terms Agreement ("HOT" or "LOI") on November 26, 2015 with an amendment on December 08, 2015.

On March 1, 2016 the Company, subsequent to the execution of an "LOI" or "HOT", finalized and executed a Share Purchase Agreement ("SPA") with twelve shareholders ("Shareholders-SPA") of CPS Energy Resources Plc ("CPS") representing 45% of the outstanding shareholdings of CPS, pending TSXV approval. The parties to the SPA agreed that Mineral Hill Industries shall purchase the 45% of the outstanding share capital of CPS from the Shareholders-SPA and subsequently pursue a joint venture with the remaining 55% shareholders of CPS on a joint venture basis or acquire the 55% of the remaining shares of CPS under the similar terms and conditions outlined within the executed SPA.

The basic terms of the SPA are as follows:

1. 10 business days after the SPA has been approved by the TSXV (the "Approval-Date-SPA"), the Company as resulting issuer will issue 2,250,000 convertible preference A shares ("Pref-A shares") of the Company to the Shareholders-SPA, at a deemed value of \$1.00 per Pref-A share, whereby the Pref-A Shares will have no voting rights but will be convertible into common shares of the Company at a conversion ratio of one to one (one Pref-A Share convertible into one common share) with full voting rights;
2. the Shareholders-SPA will nominate one director to the Company's Board of Directors ("BoD") and the BoD will commission a full NI51-101 report as an update of the existing NI51-101 equivalent report of the CPS project;
3. subsequent to obtaining the full NI51-101 report and based on an established value range, the Company will issue to the Shareholders-SPA convertible preference shares ("Pref-B Shares") at a deemed value of \$1.05 per Pref-B Share, whereby the Pref-B Shares will also have no voting rights but will be convertible into common shares of the Company at a conversion ratio

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

of one to one (one Pref-B Share convertible into for one common share). The number of Pref-B Shares to be issue shall be based on the outcome of the NI51-101 report pursuant to the terms of the SPA;

4. the Shareholders-SPA specifically agreed that the Pref-B Shares will be only convertible into common shares of the Company at \$1.05 per Pref-B share, if the Shareholders-SPA's collective conversion of the Pref-B Shares does not trigger an RTO under the Rules of the TSXV and upon prior approval of the TSXV;
5. the parties agreed that the common shares of the Company, being issued as a result of the conversion of Pref-A Shares and Pref- B-Shares, may be escrowed and subject to an escrow agreement imposed by the TSXV; and
6. the Shareholders-SPA agreed as a condition precedent of the transaction to procure a private placement consisting of common shares of the Company.

On March 9, 2016 the Company received an advance of \$22,176 for a share subscription in a private placement that is part of the conditions of the SPA.

On April 5, 2016 the TSXV granted Merfin Management Limited 127,557 bonus shares in recognition for providing loan amounts in fiscal 2014 and 2015 totaling \$89,290.

Subsequently, during the month of April 2016, Merfin Management Limited provided additional loans totaling \$8,349 for auditing and filing costs.

### **Stock Options**

On December 17, 2015 the Company granted 610,500 options at a strike price of \$0.14 with a three year life to directors, officers and a consultant.

### **Results of operations**

#### **Three months ended March 31, 2016 compared to the three months ended March 31, 2015.**

Net loss and comprehensive loss for the three months ended March 31, 2016 was \$55,005 (loss per share - \$0.00) compared to \$47,830 (loss per share - \$0.00) for the corresponding period in 2015. Being at the exploration stage, the Company did not generate any revenue from operations. The increase in loss of \$ was mainly attributable to:

1. an increase of \$2,998 in interest and bank charges from \$16,035 in 2015 to \$19,033 in 2016, due to larger loan amount from Merfin in 2016 compared to 2015.
2. a decrease of \$3,076 in investor relations from \$3,076 in 2015 to \$Nil in 2016 due to the suspension of the contract with the IR consultant.
3. an increase of \$6,941 in stock based compensation from \$13,692 in 2015 to \$20,633 in 2016 due to the grant of options in December 2015;

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

**Selected annual information**

Summary of Annual Results	December 31 2015	December 31 2014	December 31 2013
	\$	\$	\$
<b>Net revenue</b>	-	-	-
<b>Loss from operations</b>			
- in total	(484,882)	(1,044,082)	(405,563)
- on a per-share basis	(0.04)	(0.10)	(0.04)
- on a diluted per-share basis	(0.04)	(0.10)	(0.04)
<b>Net loss</b>			
- in total	(484,882)	(1,044,082)	(405,563)
- on a per-share basis	(0.04)	(0.10)	(0.04)
- on a diluted per-share basis	(0.04)	(0.10)	(0.04)
<b>Total Assets</b>	34,159	357,851	1,012,221
<b>Total long-term financial Liabilities</b>	-	-	-
<b>Cash dividends declared per share</b>	-	-	-

The change in total assets from 2013 to 2014 was due to \$685,072 in impairment. This was also the primary factor for the change in net loss in 2014 as compared to 2013.

**Selected Quarterly Information**

Three months ended	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Total assets	28,166	34,159	61,998	\$ 371,450	367,686	357,851	1,152,749	1,067,028
Exploration and evaluation assets	-	-	885	308,488	308,488	305,273	986,713	960,906
Working capital	(986,045)	(996,659)	(910,690)	(887,126)	(880,569)	(848,625)	(698,604)	(769,279)
Shareholders' equity	(973,597)	(981,501)	(897,102)	(565,395)	(558,587)	(524,450)	316,569	270,030
Revenue	Nil							
Net loss	(55,005)	(51,785)	(333,040)	(52,227)	(47,830)	(893,394)	(28,830)	(62,992)
Earnings (loss) per share	(0.00)	(0.00)	(0.04)	(0.00)	(0.00)	(010)	(0.00)	(0.00)

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

**Liquidity**

The Company's working capital and deficit positions at March 31, 2016 and December 31, 2015 were as follows:

	<b>March 31 2016</b>	December 31 2015
	<b>\$</b>	
Working capital (deficit)	<b>(986,045)</b>	\$ (996,659)
Deficit	<b>\$ (18,174,094)</b>	\$ (18,119,188)

The balance of cash and equivalents available at March 31, 2016 was \$10,106, Marketable Securities valued at \$Nil with a working capital deficit of \$986,045.

The Company has historically relied upon equity financings to satisfy its capital requirements and 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 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.

**Capital Resources**

At March 31, 2016, there were 10,821,246 (2015: 10,821,246) common shares without par value, and a consolidated deficit of \$18,174,094 (2015: \$17,682,136), resulting in a shareholder's equity of (\$973,597) (2015: \$558,588).

**Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations and Deficit included in its condensed interim consolidated financial statements for the three months ended March 31, 2016 which are available on SEDAR at '[www. SEDAR .com](http://www.SEDAR.com)'.

**Related Party Transactions**

During the three months ended March 31, 2016, the Company entered into the following transactions with related parties.

***Key management personnel compensation***

The remuneration of key management personnel during the three months ended March 31, 2016 and 2015 were as follows:

	Note	<b>March 31 2016</b>	March 31 2015
Consulting fees and salaries	(i)	\$ -	\$ -
Stock based compensation	(ii)	<b>10,312</b>	3,840

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

- (i) The Company paid or accrued consulting services for \$Nil (2015: \$Nil) to "Merfin", a private company controlled by the Chief Executive Officer. The Company paid or accrued consulting services for \$Nil (2015: \$Nil) to Infogen Research & Consulting Limited ("Infogen"), a private company controlled by a related party. At March 31, 2016, amounts of \$Nil (2015: \$Nil) were included in accounts payable and accrued liabilities. During the three months ended March 31, 2016 the Company paid no salaries to its key personnel.
- (ii) Stock based payments are the fair value of options granted to the Chief Executive Officer and the Chief Financial Officer, which vest partly on grant date and partly on the first and second anniversaries of the grant date.

***Other related party transactions***

During the three months ended March 31, 2016:

- (i) the Company charged, as a recovery of office expenses, office rent and utilities, Nass Valley Gateway Ltd., and The Eelleet Network Corp. (formerly Kirkland Precious Metals Corp.), companies related by common directors and officers, a total amount of \$6,558 (2015: \$4,909); and
- (ii) the following were receivable from companies which are related by common directors:

	<b>March 31 2016 (unaudited)</b>	December 31 2015 (audited)
Island Gateway Ltd.	\$ -	405
Gitxat'in MHind World Link	44	44
Nass Valley Gateway Ltd.	2,625	4,368
Nass Energy	90	90
The Eelleet Network Corp.	1,929	9,913
	<b>\$ 4,688</b>	14,820

***Advances received from related party***

During the three months ended March 31, 2016, the Company received advances of \$Nil (2015: \$26,290) from Merfin and converted accounts payable of \$Nil (2015: \$Nil) into loans. The promissory notes bear interest at 8.5% per annum. As at March 31, 2016 an amount of \$148,822 (2015: \$83,722) was accrued as interest. The loan is due on the date of completion of a financing of a minimum of \$1,000,000. Subject to regulatory approval, the loan may be converted into common shares at the option of the "Merfin".

On April 5, 2016 the TSX granted Merfin Management Limited 127,557 bonus shares in recognition of providing loan amounts in fiscal 2014 and 2015 totaling \$89,290.

As at March 31, 2016, the Company had an advance of \$Nil (2015: \$Nil) from Knight Castle Mercantile Inc., a private company controlled by a director at the time of the loan granted. The promissory note bears interest at 8.5% per annum. As at March 31, 2016 an amount of \$2,750 (2015: \$1,711) was accrued as interest. The loan is due at the date of completion of financing of a minimum of \$400,000. The loans are convertible into common shares of the Company at the option of the lender, subject to regulatory approval.

During the three months ended March 31, 2016, the Company converted accounts payable of \$Nil due to Infogen (2015: \$Nil) into loans due to Infogen. The promissory notes bear interest at 8.5% per annum. As at March 31, 2016, an amount of \$15,284 (2015: \$9,301) was accrued as

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

interest. There is no specific maturity date. Subject to regulatory approval, the loans may be converted into common shares at the option of the Company.

The Company agrees to pay the lenders the bonus permitted by TSX Venture Exchange policies and the terms of the agreements. The bonus shall be paid in cash, shares, warrants or a combination at the election of the lenders.

### **Off Balance Sheet Arrangement**

The Company does not have any off balance sheet arrangements.

### **Directors and Officers**

Dieter Peter	President, CEO and Director
Andrew H. von Kursell	Director, Chair of Audit Committee
Rafael Pinedo	Director, member of Audit Committee
Grant A Hendrickson	Director
Eric Peter-Kaiser	Director, member of Audit Committee (elected November 27, 2014)
Milo Filgas	Director
Andrew H. von Kursell	Interim Chief Financial Officer

### **Outstanding Share Data as at May 20, 2016**

	<b>Number outstanding</b>	<b>Exercise Price*</b>	<b>Expiry Date</b>
Common shares	10,948,803		
<b>Common shares issuable on exercise:</b>			
Warrants <sup>(1)</sup>	3,048,750	\$0.30	December 14, 2016 <sup>(2)</sup>
Share options	749,500	\$0.15	September 4, 2016
Share options	578,675	\$1.00	November 27, 2016
Share options	610,500	\$0.14	December 17, 2018

<sup>(1)</sup> Equivalent of warrants to purchase one common share

<sup>(2)</sup> Due to the halt on trading by the TSXV, a one year extension of the warrants was granted.

### **Future Developments**

The Company will continue to pursue the development of its projects and its efforts to secure further natural resource opportunities with its business alliance partners.

### **Risks and Uncertainties**

The Company is engaged in the exploration of mineral deposits. The Company's financial success will be dependent upon the discovery or acquisition of mineral resources and mineral reserves. These activities involve significant risks which are even with careful evaluation, experience and knowledge may not, in some cases, be eliminated.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of metal commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire mineral properties throughout the world;
- No assurance about the economic viability, it is speculative;

**MINERAL HILL INDUSTRIES LTD.****FORM 51-901F****Management's discussion and analysis of financial results****For the three months ended March 31, 2016****Containing information up to and including May 20, 2016**

---

- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;
- Exploration and access to the property can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipment;
- Additional expenditures will be required to establish resources or reserves on mineral properties, if indeed resources or reserves exist on the properties;
- The rights to the mineral properties must be maintained in accordance with various regulations and agreements;
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly and renewal of permits from Provincial and State territory, First Nations and Village governments.

**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.

Amounts due to and from related parties are discussed in Note 7 of the financial statements.

**Currency risk**

The Company operates primarily 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 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 and globally 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

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

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.

**Critical accounting estimates**

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

*(i) Stock Based Compensation*

The Company uses the Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officers, directors and consultants and the pricing of share purchase warrants. These estimates are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 8(b) in the financial statements

*(ii) Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

**Forward-looking statements**

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address the Company's expectations, should be considered forward-looking statements. Certain forward looking information should also be considered future-oriented financial information ("FOFI") as that term is defined in NI 51-102. The purpose of disclosing FOFI is to provide a general overview of management's expectations regarding the anticipated results of operations and capital expenditures. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. These forward-looking statements are set forth principally under the heading "Property Overview" and elsewhere in Management's Discussion and Analysis and may include statements regarding perceived merit of properties; mineral reserve and resource estimates; capital expenditures; feasibility study results, exploration results at the Company's property; budgets; work programs; timelines; strategic plans; market price of precious and base metals; or other statements that are not statement of fact. The material factors or assumptions used to develop forward-looking statements include prevailing and projected market prices and foreign exchange rates, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions and as more specifically disclosed throughout this document. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and its subsidiaries may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth

**MINERAL HILL INDUSTRIES LTD.**  
**FORM 51-901F**  
**Management's discussion and analysis of financial results**  
**For the three months ended March 31, 2016**  
**Containing information up to and including May 20, 2016**

---

above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in fluctuations in gold, lithium and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and First Nations in the exploration and development of the property and the issuance of required permits; the need to obtain additional financing to develop the property and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs on in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed on the Company's other information released by the Company and filed with the applicable regulatory agencies.

The reader should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at May 20, 2016.

*"Dieter Peter"*  
On behalf of the Board  
Dieter Peter  
Chief Executive Officer  
May 20, 2016