

MINERAL HILL INDUSTRIES LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2013 AND 2012
(Expressed in Canadian Dollars)
(Unaudited)

MINERAL HILL INDUSTRIES LTD.

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

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

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

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

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

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|---|--|----------------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and equivalents (Note 4) | 13,312 | 7,227 |
| Receivables | 1,827 | 1,515 |
| Due from related parties (Note 8) | 72,068 | 46,371 |
| Prepaid expenses | 10,563 | 7,828 |
| | 97,770 | 62,941 |
| Equipment (Note 5) | 13,139 | 14,813 |
| Exploration and evaluation assets (Note 7) | 942,279 | 814,236 |
| | 1,053,188 | 891,990 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 189,888 | 115,191 |
| Short term loan (Note 6) | 20,078 | - |
| Due to related parties (Note 8) | 341,417 | 81,067 |
| | 551,383 | 196,258 |
| Shareholders' equity | | |
| Share capital (Note 9) | 15,588,691 | 15,582,774 |
| Reserves | 1,338,891 | 1,297,619 |
| Deficit | (16,425,777) | (16,184,661) |
| | 501,805 | 695,732 |
| | 1,053,188 | 891,990 |

Nature and continuance of operations (Note 1)
 Commitment (Note 14)
 Subsequent events (Note 15)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 12, 2013 and were signed on its behalf:

"Dieter Peter"
 Dieter Peter, Director

"Andrew von Kursell"
 Andrew von Kursell, Director

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

Mineral Hill Industries Ltd.**Condensed interim consolidated statements of comprehensive loss***(Express in Canadian Dollars)**(Unaudited)*

| | Three months to Sep 30 | | Nine months to Sep 30 | |
|--|------------------------|-------------------|-----------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Expenses | | | | |
| Amortization | \$ 194 | \$ 994 | \$ 1,674 | \$ 2,671 |
| Bank charges and interest | 8,516 | 140 | 15,417 | 924 |
| Consulting | 41,000 | 36,500 | 109,500 | 104,243 |
| Insurance | 2,601 | 5,877 | 7,743 | 12,055 |
| Investor relations | 6,868 | 5,420 | 17,892 | 45,093 |
| Information technology services | - | 4,267 | 1,700 | 9,738 |
| Office and miscellaneous | 5,770 | 4,740 | 9,903 | 10,528 |
| Professional fees | - | - | 5,900 | 18,712 |
| Rent | 14,008 | 18,477 | 42,630 | 47,233 |
| Salaries and wages | 23,805 | 56,791 | 94,003 | 157,532 |
| Recovery of expenses | (38,484) | (55,910) | (130,160) | (150,105) |
| Stock-based compensation | 41,272 | 24,837 | 41,272 | 60,406 |
| Telephone | 2,942 | 2,125 | 8,089 | 6,142 |
| Transfer agent and filing fees | 5,495 | 3,278 | 12,335 | 27,466 |
| Travel and promotion | 971 | 2,250 | 3,218 | 7,420 |
| Loss and comprehensive loss for the period | (114,958) | (109,786) | (241,116) | (360,058) |
| Loss per common share, basic and diluted | (0.01) | (0.01) | (0.02) | (0.04) |
| Weighted average number of common shares outstanding: basic and diluted | 10,099,951 | 10,060,369 | 10,089,634 | 9,554,913 |

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

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

| | Three months to Sep 30 | | Nine months to Sep 30 | |
|---|------------------------|------------------|-----------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from operating activities | | | | |
| Loss for the period | \$ (114,958) | \$ (109,786) | \$ (241,116) | \$ (360,058) |
| Items not affecting cash: | | | | |
| Amortization | 194 | 994 | 1,674 | 2,671 |
| Accrued interest | 8,155 | - | 14,612 | - |
| Stock-based compensation | 41,272 | 24,837 | 41,272 | 60,406 |
| Changes in non-cash working capital items: | | | | |
| Decrease (Increase) in receivables | 330 | 6,043 | (312) | 3,142 |
| Decrease (Increase) in due from related parties | (11,483) | 25,443 | (25,697) | 3,022 |
| Decrease (Increase) in prepaid expenses | 2,601 | 2,806 | (2,735) | (2,931) |
| Increase (Decrease) in accounts payable and accrued liabilities | (6,527) | 4,759 | 71,058 | (40,347) |
| Increase (Decrease) in accounts payable to related parties | - | 16,500 | - | (20,567) |
| Net cash used in operating activities | (80,416) | (28,404) | (141,244) | (354,662) |
| Cash flows from financing activities | | | | |
| Proceeds from the issuance of common shares | - | - | - | 466,000 |
| Proceeds from short term loan | - | - | 20,078 | - |
| Proceeds of loan from related party | 94,345 | - | 249,377 | - |
| Net cash provided by financing activities | 94,345 | - | 269,455 | 466,000 |
| Cash flows from investing activities | | | | |
| Purchase of equipment | - | (1,550) | - | (1,550) |
| Payment on Mineral properties | - | - | (75,000) | - |
| Mineral tax credit | - | - | - | 25,733 |
| Deferred exploration costs | (22,459) | (42,805) | (47,126) | (140,380) |
| Net cash used in investing activities | (22,459) | (44,355) | (122,126) | (116,197) |
| Increase (decrease) in cash and equivalents | (8,530) | (72,759) | 6,085 | (4,859) |
| Cash and equivalents, beginning of the period | 21,842 | 85,382 | 7,227 | 17,482 |
| Cash and equivalents, end of the period | \$ 13,312 | \$ 12,623 | \$ 13,312 | \$ 12,623 |

Supplemental disclosures with respect to cash flows (Note 10)

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

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of changes in equity
For the nine months ended September 30, 2013 and 2012
(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | Deficit | Total |
|--|-------------------|-------------------|------------------|---------------------|----------------|
| | Number of shares | Amount | | | |
| | | \$ | \$ | \$ | \$ |
| Balance, January 1, 2012 (audited) | 6,558,287 | 15,018,711 | 1,208,360 | (15,727,929) | 499,142 |
| Property option | 589,582 | 98,063 | - | - | 98,063 |
| Private placement | 2,912,500 | 466,000 | - | - | 466,000 |
| Share based payment | - | - | 60,406 | - | 60,406 |
| Loss for the period | - | - | - | (360,058) | (360,058) |
| Balance, September 30, 2012 (unaudited) | 10,060,369 | 15,582,774 | 1,268,766 | (16,087,987) | 763,553 |
| Balance, January 1, 2013 (audited) | 10,060,369 | 15,582,774 | 1,297,619 | (16,184,661) | 695,732 |
| Property option | 39,582 | 5,917 | - | - | 5,917 |
| Share based payment | - | - | 41,272 | - | 41,272 |
| Comprehensive loss for the period | - | - | - | (241,116) | (241,116) |
| Balance, September 30, 2013 (unaudited) | 10,099,951 | 15,588,691 | 1,338,891 | (16,425,777) | 501,805 |

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

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and its principal business activities include the acquisition and exploration of mineral properties in Québec and the United States. The Company's shares are listed on the Toronto Stock 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.

On September 30, 2011, the Company consolidated the outstanding shares on a basis of 1 new share for 12 old shares held. The resulting outstanding shares amounted to 3,509,537 common shares. All references to common shares and per share amounts in these financial statements are on the basis of the resulting new common shares and corresponding securities.

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

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether those properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Basis of preparation

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

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

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted.

The condensed interim consolidated 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 each of its subsidiaries is the Canadian dollar.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Veritas Resource Corp, (incorporated in USA). All significant inter-company balances and transactions have been eliminated upon full consolidation.

b) Estimates

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and 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 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 not limited to, the following:

- Stock based compensation are 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 estimated value of exploration and evaluation costs which is included in the consolidated statement of financial position;
- The assessment of indications of impairment of each of the exploration and evaluation asset and related determination of the net realizable value and write-down of those properties where applicable.

c) Cash and equivalents

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

d) Refundable tax credits and mining duties

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

e) Marketable securities

Marketable securities are traded on a recognized securities exchange and are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or the closing bid prices on the last day the security traded if there was no trade at the statement of financial position dates with both realized and unrealized gains and losses recorded in the statement of loss and comprehensive loss.

f) Foreign currency

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

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Equipment

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

| | |
|-------------------------|-----------------------|
| Furniture and equipment | 20% |
| Vehicles | 20% |
| Mining equipment | 20% |
| Computer software | 20% |
| Leasehold Improvements | 5 years straight-line |

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

h) Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Exploration and evaluation expenditures comprise costs that are directly attributable to:

- researching and analysing existing data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its disposal or through farm-out arrangements.

Once commercial production commences, these costs will be reclassified to Mineral properties within Property, plant and equipment and charged to operations on a unit-of-production method based on proven and probable reserves.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any significant asset retirement obligations.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of long-lived assets

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

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

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

k) Stock-based compensation

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

l) 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 balance sheet date.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes (continued)

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 probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

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.

m) Loss per share

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

n) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made. The recognition of the future income tax liability upon renunciation of the flow through expenditures is recorded as income tax expense in the period of renunciation.

o) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loan and receivables, available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash and cash equivalents and marketable securities, which are initially recognized at fair value.

- *Loans and receivables*

Loans and receivables are non derivative financial assets which fixed or determinable payments that are not quoted in an active market. They are classified as current or non current assets based on their maturity date. Assets in this category include due from related parties, are measured at amortized cost less impairment.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

Financial assets (continued)

- *Available-for-sale financial assets*

Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

Financial liabilities

Financial liabilities include accounts payable and accrued liabilities and due to related parties, are initially recognized at fair value and subsequently stated at amortized cost. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Impairment of financial assets

The Company assesses at each reporting date, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
- Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the income statement. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Reversals of impairment losses on financial assets carried at amortized cost are recorded through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

The accounting policies set out in the Company's annual consolidated financial statements for the nine months period ended September 30, 2013 were consistently applied to all the periods presented unless otherwise noted below.

p) Accounting standards adopted during the period

Effective January 1, 2013, the Company adopted the following new accounting standards and interpretations. The Company determined that the adoption of these standards and interpretations did not result in any material changes in the condensed interim consolidated financial statements.

IFRS 9 "Financial Instruments"

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 10 “Consolidated Financial Statements”

Replaces Standing Interpretations Committee 12, “Consolidation – Special Purpose Entities” and the consolidation requirements of IAS 27 “Consolidated and Separate Financial Statements”. The new standard replaces the existing risk and a reward based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 “Joint Arrangements”

Replaces IAS 31 “Interests in Joint Ventures”. The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 “Disclosure of Interests in Other Entities”

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity’s interest in subsidiaries and joint arrangements.

IFRS 13 “Fair Value Measurement”

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IAS 32 “Offsetting Financial Assets and Financial Liabilities” (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32’s criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of ‘currently has a legally enforceable right of set-off’
- that some gross settlement systems may be considered equivalent to net settlement

The Amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 9 “Financial Instruments”

The IASB aims to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9’s financial asset classification model to address application issues. Management has yet to assess the impact of this new standard to the Company.

4. CASH AND EQUIVALENTS

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|------------|-------------------------------------|----------------------------------|
| Petty cash | \$ 597 | \$ 597 |
| Bank | 3,715 | 1,630 |
| GIC | 9,000 | 5,000 |
| | \$13,312 | \$ 7,227 |

5. EQUIPMENT

| | Furniture & Equipment | Vehicles | Mining Equipment | Leasehold Improvements | Computer Software | TOTAL |
|---|--------------------------|----------|---------------------|---------------------------|----------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>At 1 January 2012 (audited)</i> | | | | | | |
| Cost | 88,158 | 6,655 | 39,130 | 66,780 | 3,101 | 203,824 |
| Accumulated Amortization | (71,192) | (6,655) | (39,130) | (66,780) | (3,101) | (186,858) |
| | 16,966 | - | - | - | - | 16,966 |
| <i>Movements - year ended December 31, 2012</i> | | | | | | |
| Acquisitions | 1,298 | - | - | - | 250 | 1,548 |
| Amortization | (3,676) | - | - | - | (25) | (3,701) |
| | (2,378) | - | - | - | 225 | (2,153) |
| <i>Balance – December 31, 2012 (audited)</i> | | | | | | |
| Cost | 89,456 | 6,655 | 39,130 | 66,780 | 3,351 | 205,372 |
| Accumulated Amortization | (74,868) | (6,655) | (39,130) | (66,780) | (3,126) | (190,559) |
| | 14,588 | - | - | - | 225 | 14,813 |
| <i>Movements – Nine months ended September 30, 2013</i> | | | | | | |
| Acquisitions | - | - | - | - | - | - |
| Amortization | (1,640) | - | - | - | (34) | (1,674) |
| | (1,640) | - | - | - | (34) | (1,674) |
| <i>Balance – September 30, 2013 (unaudited)</i> | | | | | | |
| Cost | 89,456 | 6,655 | 39,130 | 66,780 | 3,351 | 205,372 |
| Accumulated Amortization | (76,508) | (6,655) | (39,130) | (66,780) | (3,160) | (192,233) |
| | 12,948 | - | - | - | 191 | 13,139 |

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

6. SHORT TERM LOAN

In February 2013, the Company settled outstanding consulting fees of \$20,078 as a loan to the Company. The promissory note bears interest at 8.5% per annum. An amount of \$1,015 (2012: \$Nil) was accrued as interest.

7. MINERAL PROPERTIES

The carrying values of exploration and revaluation assets were as follows:

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|------------------------------------|-------------------------------------|----------------------------------|
| Mineral property acquisition costs | \$ 667,167 | \$ 585,978 |
| Deferred exploration costs | 275,112 | 228,258 |
| | \$ 942,279 | \$ 814,236 |

(a) Mineral Property Acquisition Costs

| | Balance January 1 2012 (Audited) \$ | Additions \$ | Balance December 31 2012 (Audited) \$ | Additions \$ | Balance September 30 2013 (Unaudited) \$ |
|--|---|------------------|---|-----------------|--|
| Chubb Property, Québec | \$ 81,000 | \$ 23,333 | \$ 104,333 | \$22,833 | \$ 127,166 |
| International Property, Québec | 68,108 | 21,667 | 89,775 | 21,417 | 111,192 |
| Athona Property, Québec | 50,250 | 16,063 | 66,313 | 16,272 | 82,585 |
| Canadian and McNeely Lithium Property, Québec | 58,000 | 21,250 | 79,250 | 20,667 | 99,917 |
| New Lithium Property, Quebec | - | 90,750 | 90,750 | - | 90,750 |
| Liberty Hill Mine, US | 155,557 | - | 155,557 | - | 155,557 |
| | \$ 412,915 | \$173,063 | \$ 585,978 | 81,189 | \$ 667,167 |

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, arguments or transfers and rights of ownership may be affected by undetected defects.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

7. MINERAL PROPERTIES (continued)

Lithium Properties, Val d'Or, Quebec

(i) Chubb Property, Québec

On May 11, 2009, the Company signed an option agreement to acquire 100% interest in the Chubb Lithium Property, which is located in the Archean Abitibi Greenstone belt in the La Corne Township. Under the agreement, in order for the Company to earn-in 100% undivided interest in the property, the following payments have been made:

| | Cash payment | Shares |
|--|------------------|---------------|
| Upon execution of the option agreement | \$ 5,000 | Nil |
| Upon approval of the Exchange (February 8, 2010) | \$ 15,000 | 16,666 |
| On or before February 8, 2011 | \$ 20,000 | 16,666 |
| On or before February 8, 2012 | \$ 20,000 | 16,666 |
| On or before February 8, 2013 | \$ 20,000 | 16,666 |
| Total | \$ 80,000 | 66,664 |

The agreement provides for a 2% net smelter return ("NSR"). The Company has an exclusive option to buy back 50% for \$1,000,000 within one year and the remaining 50% for \$1,000,000 within two years of the date the Chubb Property is put into commercial production.

During the nine months ended September 30, 2013, the Company had issued 16,666 common shares, valued at \$2,833 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2012, the Company had issued 16,666 common shares, valued at \$3,333 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2011, the Company had issued 16,666 common shares, valued at \$15,000 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2010, the Company had issued 16,666 common shares, valued at \$26,000 and paid \$20,000 to the Optionors, pursuant to the agreement.

(ii) International Property, Québec

On August 7, 2009, the Company signed an option agreement to acquire 100% interest in the International Property. Under the agreement, the following payments have been made before the Company acquires a 100% undivided interest in the property:

| | Cash Payment | Shares |
|--|-----------------|---------------|
| Upon execution of the option agreement | \$5,000 | Nil |
| On or before February 8, 2010 | \$18,108 | 16,666 |
| On or before February 8, 2011 | \$20,000 | 16,666 |
| On or before February 8, 2012 | \$20,000 | 8,333 |
| On or before February 8, 2013 | \$20,000 | 8,333 |
| Total | \$83,108 | 49,998 |

The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for \$500,000 within one year and the remaining 50% for \$500,000 within two years of the date the International Property is put into commercial production.

During the nine months ended September 30, 2013, the Company had issued 8,333 common shares, valued at \$1,417 and paid \$20,000 pursuant to the option agreement.

During the year ended December 31, 2012, the Company had issued 8,333 common shares, valued at \$1,667 and paid \$20,000 pursuant to the agreement.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

7. MINERAL PROPERTIES (continued)

Lithium Properties, Val d'Or, Quebec (continued)

(ii) International Property, Québec (continued)

During the year ended December 31, 2011, the Company had issued 16,666 common shares, valued at \$15,000 and paid \$20,000 pursuant to the agreement.

During the year ended December 31, 2010, the Company had issued 16,666 common shares, valued at \$10,000 and paid \$23,108 pursuant to the agreement.

(iii) Athona Property

On September 16, 2009, the Company signed an option agreement to acquire 100% interest in the Athona Property. Under the agreement, in order for the Company to earn-in 100% undivided interest in the property, the following payments have been made, in addition to a work commitment of \$25,000 to be incurred on the property in 2009 (commitment met):

| DATE | Cash Payment | Shares |
|--|---------------------|---------------|
| Upon execution of the option agreement | \$3,500 | Nil |
| On or before March 20, 2010 | \$11,500 | 12,500 |
| On or before March 20, 2011 | \$15,000 | 12,500 |
| On or before March 20, 2012 | \$15,000 | 6,250 |
| On or before March 20, 2013 | \$15,000 | 6,250 |
| Total | \$60,000 | 37,500 |

During the nine months ended September 30, 2013, the Company had issued 6,250 common shares, valued at \$1,063 and paid \$15,000 pursuant to the option agreement. Please see note below regarding the settlement of outstanding cash payments.

During the year ended December 31, 2012, the Company had issued 6,250 common shares, valued at \$1,063 and paid \$15,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2011, the Company had issued 12,500 common shares, valued at \$11,250 and paid \$15,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2010, the Company issued 12,500 common shares valued, at \$9,000 and paid \$15,000 to the Optionors, pursuant to the agreement.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

7. MINERAL PROPERTIES (continued)

(iv) Canadian and McNeely Lithium Property, Québec

On May 20, 2010, the Company signed an option agreement to acquire 100% interest in the Canadian and McNeely Property. Under the agreement, the following payments have been made before the Company acquires 100% undivided interest in the property:

| | Cash Payment | Shares |
|--|-----------------|---------------|
| Upon execution of the option agreement | \$5,000 | Nil |
| On May 27, 2010 | \$15,000 | 16,666 |
| On or before May 27, 2011 | \$20,000 | 16,666 |
| On or before May 27, 2012 | \$20,000 | 8,333 |
| On or before May 27, 2013 | \$20,000 | 8,333 |
| Total | \$80,000 | 49,998 |

The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for \$500,000 within one year and the remaining 50% for \$500,000 within two years of the date the Canadian and McNeely Property is put into commercial production.

During the nine months ended September 30, 2013, the Company had issued 8,333 common shares, valued at \$667 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2012, the Company had issued 8,333 common shares, valued at \$1,250 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2011, the Company had issued 16,666 common shares, valued at \$10,000 and paid \$20,000 to the Optionors, pursuant to the agreement.

During the year ended December 31, 2010, the Company had issued 16,666 common shares, valued at \$8,000 and paid \$20,000 to the Optionors, pursuant to the agreement.

(v) New Lithium Property, Québec

On March 23, 2012, the Company issued a total of 550,000 common shares valued at \$90,750, with respect to the acquisition of a 100% interest in some mineral claims located northwest of the mining town of Val d'Or in Quebec.

Liberty Hill Mine, Nevada County, California, USA

On September 30, 2010, the Company entered into an agreement, to earn in a 50% participation a Joint venture agreement with Mining and Energy International Corp (MEICO) in the Liberty Hill Mine, in the Nevada County, California, USA. Under the agreement, in order for the Company to earn a 50% Joint Venture interest, it was required to pay US\$1,000,000 upon the satisfaction of certain conditions and incur US\$1,500,000 in expenditure as follows:

- (i) US\$40,000 on signature of the agreement
- (ii) US\$45,000 within 21 days after signature of the agreement
- (iii) the balance of US\$1,415,000 payable in increasing tranches within 180 days from a date which is the earlier of the approval from the regulatory authorities and the receipt of the exploration permit from the US Forest Service. Any funds generated from the processing of the existing stockpile will reduce the balance payable.

During the year ended December 31, 2011, the Company paid a further \$63,099. The Company is awaiting the issuance of the exploration permit from the US Forest Service, which is one of the obligations of MEICO under the agreement.

On May, 2012, some terms of the agreement were amended and the Company agreed to make a monthly payment of \$1,500 to MEICO as re-imbusement of costs.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

7. MINERAL PROPERTIES (continued)

(b) Deferred exploration costs

At September 30, 2013, the Company has capitalized the following exploration expenditures:

| | Liberty Hill Mine | Lithium Property | Total |
|---|-------------------|-------------------|-------------------|
| Balance – January 1, 2012 (audited) | \$ - | \$ 185,276 | \$ 185,276 |
| Expenditure | 66,627 | 2,088 | 68,715 |
| Mineral tax credit | - | (25,733) | (25,733) |
| Balance – December 31, 2012 (audited) | 66,627 | 161,631 | 228,258 |
| Expenditure | 40,501 | 6,353 | 46,854 |
| Balance – September 30, 2013 (unaudited) | \$ 107,128 | \$ 167,984 | \$ 275,112 |

At September 30, 2013, the carrying amounts of deferred exploration expenditures for the lithium properties were as follows:

| | January 1, 2012 (Audited) | Changes | December 31, 2012 (Audited) | Changes | September 30, 2013 (Unaudited) |
|---------------------|------------------------------|--------------------|--------------------------------|-----------------|-----------------------------------|
| Fieldwork | \$ 70,508 | \$ - | \$ 70,508 | \$ - | \$ 70,508 |
| Geology and mapping | 96,670 | - | 96,670 | 6,000 | 102,670 |
| Consulting | 32,750 | - | 32,750 | - | 32,750 |
| Assays | 5,537 | - | 5,537 | - | 5,537 |
| Project Management | 18,832 | - | 18,832 | - | 18,832 |
| Miscellaneous | 14,962 | 2,088 | 17,050 | 353 | 17,403 |
| Tax Credits | (53,983) | (25,733) | (79,716) | - | (79,716) |
| | \$ 185,276 | \$ (23,645) | 161,631 | \$ 6,353 | 167,984 |

At September 30, 2013, the carrying amounts of deferred exploration expenditures for the Liberty Hill Mine were as follows:

| | January 1 2012 (Audited) | Changes | December 31 2012 (Audited) | Changes | September 30 2013 (Unaudited) |
|---------------|--------------------------------|------------------|----------------------------------|------------------|-------------------------------------|
| Consulting | \$ - | \$ 28,086 | \$ 28,086 | \$ 914 | \$ 29,000 |
| Miscellaneous | - | 38,541 | 38,541 | 39,587 | 78,128 |
| | \$ - | \$ 66,627 | \$ 66,627 | \$ 40,501 | \$ 107,128 |

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

8. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2013, the Company entered into the following transactions with related parties. These transactions were in the normal course of operations and were priced on an arm's length basis.

Key management personnel compensation

The remuneration of key management personnel during the nine months ended September 30, 2013 and 2012 were as follows:

| | Note | September 30 2013 (Unaudited) | September 30 2012 (Unaudited) |
|------------------------------|------|-------------------------------------|-------------------------------------|
| Consulting fees and salaries | (i) | \$ 144,634 | \$ 104,243 |
| Share based compensation | (ii) | \$ 11,894 | \$ 52,778 |

- (i) The Company accrued consulting services for \$82,500 (2012: \$81,743) to Merfin Management Limited, a private company controlled by the Chief Executive. At September 30, 2013 amounts of \$9,625 (2012: \$Nil) and \$30,135 (2012: \$30,135) were due to Merfin Management Limited and to Panterra Capital respectively. During the nine months ended September 30, 2013, the Company also paid salaries of \$62,134 (2012: \$82,055) to the Chief Financial Officer. See also note on recovery of expenses below.
- (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 nine months ended September 30, 2013, the Company charged, as a recovery of expenses from Hi Ho Silver Resources Inc. , Nass Valley Gateway Ltd., and Kirkland Precious Metals Corp. companies related by common directors and officers, a total amount of \$130,160 (2012: \$150,105) with respect to shared costs relating to salaries, office expenses and including rent in 2013.

The following were receivable from companies which are related by common directors:

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|--------------------------------|-------------------------------------|----------------------------------|
| Island Gateway Ltd. | \$ 405 | \$ 405 |
| Hi Ho Silver Resources Inc. | - | - |
| Nass Valley Gateway Ltd. | - | 25,638 |
| Kirkland Precious Metals Corp. | 71,663 | 20,328 |
| | \$ 72,068 | \$ 46,371 |

Advances received from related party

As at September 30, 2013, the Company received advances of \$331,417 (2012:\$40,000) from Merfin Management Limited pursuant to a promissory note bearing interest at 8.50%per annum. An amount of \$13,276 (2012: \$Nil) was accrued as interest.

As at September 30, 2013, the Company received an advance of \$10,000 from Knight Castle Mercantile Inc., a private company controlled by a director. The promissory note bears interest at 8.5% per annum.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

At September 30, 2013, the authorized share capital comprised of an unlimited number of common shares at no par value. All issued and outstanding shares are fully paid.

b) Issues of common shares

During the nine months ended September 30, 2013, the Company issued 39,582 common shares, valued at \$5,917, with respect to the Lithium properties in Quebec as described in Note 6.

During the year ended December 31, 2012

During the year ended December 31, 2012, the Company issued 589,582 common shares, valued at \$98,063, with respect to the Lithium properties in Quebec as described in Note 6.

On February 1, 2012, the Company closed a private placement of \$466,000, through the placement of 2,912,500 shares at \$0.16 each and 2,912,500 share purchase warrants exercisable at \$0.22 each within one year of issue and \$0.35 within the second year.

During the year ended December 31, 2011

On September 30, 2011, the Company consolidated the outstanding shares on a basis of 1 new share for 12 old shares held. The resulting outstanding shares amounted to 3,509,537 common shares. All references to common shares and per share amounts in these financial statements are on the basis of the resulting new common shares and corresponding securities.

During the year ended December 31, 2011, the Company issued 62,498 common shares, valued at \$51,250, with respect to the Lithium properties in Quebec as described in Note 6.

On December 14, 2011, the Company closed a private placement of \$487,800, through the placement of 3,048,750 shares at \$0.16 each and 3,048,750 share purchase warrants exercisable at \$0.22 each within one year and \$0.30 within the second year, of which an amount of \$47,000 had been advanced at March 31, 2011.

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 2,010,407 of currently issued and outstanding common stock. The 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.

The weighted average grant fair value of 794,500 options granted on September 4, 2013 was \$0.15 per option. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.41%; the expected life of 3 years; expected volatility of 164%; and expected dividends of \$Nil.

The weighted average grant fair value of 126,500 options granted on September 4, 2013 was \$0.10 per option. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.21%; the expected life of 2 years; expected volatility of 106%; and expected dividends of \$Nil.

The weighted average grant fair value of 50,000 options granted on July 30, 2012 was \$0.12 per option. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.08%; the expected life of 0.75 years; expected volatility of 230%; and expected dividends of \$Nil.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

c) Stock-based compensation (continued)

The weighted average grant fair value of 45,000 options granted on July 16, 2012 was \$0.14 per option. The fair value of these options was determined on the date of the grant using the Black -Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.18%; the expected life of 2.01 years; expected volatility of 181%; and expected dividends of \$Nil.

The weighted average grant fair value of 714,500 options granted on June 27, 2012 was \$0.13 per option. The fair value of these options was determined on the date of the grant using the Black -Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.12%; the expected life of 2.30 years; expected volatility of 174%; and expected dividends of \$Nil.

The weighted average grant fair value of 4,166 options granted on March 1, 2011 was \$0.37 per option. The fair value of these options was determined on the date of the grant using the Black -Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 2.62%; the expected life of 2 years; expected volatility of 159%; and expected dividends of \$Nil.

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise price |
|--|-------------------|---------------------------------|
| Stock options outstanding at December 31, 2011 | 434,768 | \$ 1.31 |
| Expired/Cancelled/Forfeited | (202,532) | \$ 1.65 |
| Granted | 809,500 | \$ 0.16 |
| Stock options outstanding at December 31, 2012 | 1,041,736 | \$ 0.35 |
| Forfeited/Cancelled/Forfeited | (280,576) | \$ 0.31 |
| Granted | 920,750 | \$ 0.14 |
| Stock options outstanding at September 30, 2013 | 1,681,910 | \$ 0.24 |

Information regarding options outstanding and exercisable as at September 30, 2013

| Expiry Date | Exercise Price | Number of Options Outstanding | Number of Exercisable Options | Average Remaining Life (Years) |
|-------------------|----------------|-------------------------------|-------------------------------|--------------------------------|
| November 4, 2013 | 1.20 | 106,660 | 106,660 | 0.10 |
| June 27, 2015 | 0.16 | 609,500 | 485,750 | 1.74 |
| July 16, 2015 | 0.16 | 45,000 | 22,500 | 1.79 |
| September 4, 2015 | 0.10 | 126,250 | 23,125 | 1.93 |
| September 4, 2016 | 0.15 | 794,500 | 238,500 | 2.93 |
| | 0.22 | 1,681,910 | 876,535 | 2.21 |

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

As at September 30, 2013, the Company had the following outstanding warrants to purchase common shares of the Company:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|-------------------|
| 1,547,463 | \$ 1.20 | July 14, 2014 |
| 125,000 | 1.20 | April 13, 2015 |
| 3,048,750 | 0.30 | December 14, 2013 |
| 2,912,500 | 0.35 | February 1, 2014 |
| 7,633,713 | \$ 0.51 | |

Warrant transactions are summarized as follows:

| Warrants outstanding | | |
|--|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price |
| Balance, January 1, 2012 (audited) | 4,721,213 | \$ 0.62 |
| Issued | 2,912,500 | 0.35 |
| Balance, September 30, 2013 (unaudited) and December 31, 2012 (audited) | 7,633,713 | \$ 0.51 |

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Cash and equivalents included in the consolidated statement of cash flows at September 30, 2013:

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|------------------|-------------------------------------|----------------------------------|
| Cash | \$ 4,312 | \$ 2,227 |
| Cash equivalents | 9,000 | 5,000 |
| | \$ 13,312 | \$ 7,227 |

| | September 30 2013 (Unaudited) | September 30 2012 (Unaudited) |
|---|-------------------------------------|-------------------------------------|
| Cash paid for income taxes during the nine months ended | \$ - | \$ - |
| Cash paid for interest during the nine months ended | \$ - | \$ - |

During the nine months ended September 30, 2013, the Company issued 39,582 common shares (2012: 589,582), valued at \$5,917 (2012: \$98,063) with respect to obligations under property option and acquisition agreements.

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of resource property interests. The Company's non-current assets by geographical area are as follows:

| | September 30 2013 (Unaudited) | December 31 2012 (Audited) |
|---------------------|-------------------------------------|----------------------------------|
| Non-current assets: | | |
| Canada | \$ 692,733 | \$ 606,865 |
| U.S.A. | 262,685 | 222,184 |
| | \$ 955,418 | \$ 829,049 |

12. 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 8.

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 have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

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

Mineral Hill Industries Ltd.

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2013 and 2012

(Unaudited)

12. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial assets and liabilities

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

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

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

Assets measured at fair value on a recurring basis were presented on the Company’s statement of financial position as of September 30, 2013 as follows:

| | Fair Value Measurements Using | | | September 30 2013 (Unaudited) |
|----------------------|-------------------------------|---------|---------|-------------------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Cash and equivalents | \$ 13,312 | – | – | \$ 13,312 |
| | \$ 13,312 | – | – | \$ 13,312 |

13. 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 nine months ended September 30, 2013. 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.

14. COMMITMENT

The Company entered into a three year rental agreement for office space commencing December 31, 2010 for approximately \$5,044 per month until November 30, 2013. The rent for 2013 is expected to be \$55,484.

15. SUBSEQUENT EVENTS

In November and October, 2013, the Company received loan of \$22,500 from Merfin. The promissory note bears interest at 8.5% per annum, secured by the Company’s Lithium properties.