

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: **MGX Minerals Inc.** (the “Issuer”).

Trading Symbol: **XMG**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

### 1. Related party transactions

***All related party transactions have been disclosed in the Issuer's financial statements for the interim period ended October 31, 2016.***

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

### 2. Summary of securities issued and options granted during the period.

***All securities issued and options granted by the Issuer have been disclosed in the Issuer's financial statement notes for the interim period ended October 31, 2016.***

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---------------|--|--|--------|-------|----------------|--|--|-----------------|
|               |  |  |        |       |                |  |  |                 |
|               |  |  |        |       |                |  |  |                 |
|               |  |  |        |       |                |  |  |                 |

(b) summary of options granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|------|--------|---|--|----------------|-------------|-------------------------------|
|      |        |   |  |                |             |                               |
|      |        |   |  |                |             |                               |
|      |        |   |  |                |             |                               |

**3. Summary of securities as at the end of the reporting period.**

***A summary of securities has been provided in the financial statements for the interim period ended October 31, 2016.***

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

| Name of Director | Position(s) Held                         |
|------------------|--|
| Jared Lazerson   | President, CEO, Secretary and a Director |
| Lyndon Patrick   | Director                                 |
| H. David Read    | Director                                 |
| Michael Reimann  | CFO and a Director                       |
| Andris Kikauka   | Director and VP of Exploration           |

#### **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

***See Management's Discussion & Analysis attached.***

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated December 29, 2016.

Jared Lazerson  
**Name of Director or Senior Officer**

/s/ Jared Lazerson  
**Signature**

President, CEO, Secretary and  
Director  
**Official Capacity**

|  |   |  |
|--|---|--|
| <b>Issuer Details</b>                                      |   |  |
| Name of Issuer:<br><b>MGX Minerals Inc.</b>                | For Quarter Ended<br><b>October 31, 2016</b>                                      | Date of Report:<br>YYYYMMDD<br><b>2016/12/29</b> |
| Issuer Address:<br><b>Suite 303, 1080 Howe Street</b>      |   |  |
| City/Province/Postal Code:<br><b>Vancouver, BC V6Z 2T1</b> | Issuer Fax No.:<br><b>N/A</b>   | Issuer Telephone No.<br><b>604.681.7735</b>      |
| Contact Name:<br><b>Jared Lazerson</b>                     | Contact Position:<br><b>President &amp;<br/>CEO, Secretary<br/>and Director</b>   | Contact Telephone No.<br><b>604.681.7735</b>     |
| Contact Email Address:<br><b>Jared@mgxminerals.com</b>     | Web Site Address:<br><a href="http://www.mgxminerals.com">www.mgxminerals.com</a> |  |

**Schedule “A”**

**Financial Statements**

*[inserted as following pages]*

# **MGX MINERALS INC.**

Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

# **MGX MINERALS INC.**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim consolidated financial statements and related financial reporting matters.

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



**MGX Minerals Inc.**

Condensed Interim Consolidated Statements of Financial Position  
(Unaudited - expressed in Canadian dollars)

|   | Note | October 31,<br>2016 | July 31,<br>2016 |
|---|------|---------------------|------------------|
|   |      | \$                  | \$               |
| <b>Assets</b>                                     |      |                     |                  |
| <b>Current Assets</b>                             |      |                     |                  |
| Cash  |      | 774,853             | 31,206           |
| Prepaid   |      | 194,771             | 132,276          |
| GST receivables                                   |      | 39,450              | 74,314           |
|   |      | 1,009,074           | 237,796          |
| <b>Non-Current Assets</b>                         |      |                     |                  |
| Deferred financing cost                           |      | -                   | 16,688           |
| Equipment   | 6    | 9,545               | 9,831            |
| Investment in Purlucid                            | 11   | 50,000              | -                |
| Mineral properties                                | 5    | 1,634,462           | 1,254,462        |
| Reclamation bond                                  |      | 16,000              | 16,000           |
|   |      | 1,710,007           | 1,296,981        |
| <b>Total Assets</b>                               |      | 2,719,081           | 1,534,777        |
| <b>Liabilities</b>                                |      |                     |                  |
| <b>Current Liabilities</b>                        |      |                     |                  |
| Accounts payable and accrued liabilities          | 7    | 270,967             | 541,081          |
| Due to related parties                            | 9    | 58,937              | 86,663           |
|   |      | 329,904             | 627,744          |
| <b>Shareholders' Equity</b>                       |      |                     |                  |
| Share capital                                     | 8    | 5,917,334           | 3,938,882        |
| Reserve   | 8    | 973,532             | 813,712          |
| Deficit   |      | (4,501,689)         | (3,845,561)      |
|   |      | 2,389,177           | 907,033          |
| <b>Total Liabilities and Shareholders' Equity</b> |      | 2,719,081           | 1,534,777        |

Nature of operations and continuance of business (Note 1)  
Subsequent events (Note 11)

Approved by the Board of Directors on December 23, 2016:

*"Jared Lazerson"*

Jared Lazerson, Director

*"Andris Kikuaka"*

Andris Kikuaka, Director

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

**MGX Minerals Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended October 31, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

|   | Notes      | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|------------|
| <b>Exploration expenses</b>                       | <b>5,9</b> | 253,908    | 159,411    |
| <b>Administrative Expenses</b>                    |            |            |            |
| Advertising and promotion                         |            | 133,588    | 29,033     |
| Consulting fees                                   |            | 180,396    | 43,042     |
| Depreciation                                      | <b>6</b>   | 286        | 285        |
| Office and administrative                         |            | 8,443      | 2,553      |
| Interest and bank charges                         |            | 831        | 1,052      |
| Management fees                                   | <b>9</b>   | 33,000     | 33,000     |
| Professional fees                                 |            | 53,198     | 30,177     |
| Share-based compensation                          | <b>8</b>   | -          | 188,112    |
| Transfer agent and filing fees                    |            | 23,268     | 4,310      |
| Travel and entertainment                          |            | 4,554      | 1,500      |
|   |            | 437,564    | 333,064    |
| <b>Loss before other income (expense)</b>         |            | (691,472)  | (492,475)  |
| <b>Other income (expense)</b>                     |            |            |            |
| Debt settlement (loss)/gain                       | <b>7,8</b> | 36,102     | (17,000)   |
| Foreign exchange loss                             |            | (758)      | (747)      |
|   |            | 35,344     | (17,747)   |
| <b>Loss and comprehensive loss for the period</b> |            | (656,128)  | (510,222)  |
| Loss per share, basic and diluted                 |            | (0.01)     | (0.02)     |
| Weighted average number of shares outstanding     |            | 47,080,062 | 30,214,420 |

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

# MGX Minerals Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

|   | Common<br>Shares<br># | Share<br>Capital<br>\$ | Reserve*<br>\$ | Subscriptions<br>Received<br>\$ | Deficit<br>\$      | Total<br>\$      |
|---|-----------------------|------------------------|----------------|---------------------------------|--------------------|------------------|
| <b>Balance, July 31, 2015</b>                               | <b>29,641,476</b>     | <b>1,812,465</b>       | <b>407,007</b> | <b>24,100</b>                   | <b>(1,532,617)</b> | <b>710,955</b>   |
| Shares issued pursuant to private placements                | 897,463               | 367,575                | -              | (19,100)                        | -                  | 348,475          |
| Issue costs   | -                     | (6,155)                | -              | -                               | -                  | (6,155)          |
| Warrant valuation   | -                     | (146,578)              | 146,578        | -                               | -                  | -                |
| Flow-through premium  | -                     | (5,639)                | -              | -                               | -                  | (5,639)          |
| Shares issued for debt settlement                           | 50,746                | 34,000                 | -              | -                               | -                  | 34,000           |
| Share-based compensation                                    | -                     | -                      | 188,112        | -                               | -                  | 188,112          |
| Loss and comprehensive loss for the period                  | -                     | -                      | -              | -                               | (510,222)          | (510,222)        |
| <b>Balance, October 31, 2015</b>                            | <b>30,589,685</b>     | <b>2,055,668</b>       | <b>741,697</b> | <b>5,000</b>                    | <b>(2,042,839)</b> | <b>759,526</b>   |
| Shares issued pursuant to private placements                | 6,150,000             | 615,000                | -              | (5,000)                         | -                  | 610,000          |
| Issue costs   | -                     | (40,664)               | -              | -                               | -                  | (40,664)         |
| Warrant valuation   | -                     | 146,578                | (146,578)      | -                               | -                  | -                |
| Shares issued in lieu of consulting fees                    | 150,000               | 51,000                 | -              | -                               | -                  | 51,000           |
| Shares issued pursuant to acquisition of mineral properties | 1,183,332             | 258,333                | -              | -                               | -                  | 258,333          |
| Shares issued pursuant to options exercised                 | 100,000               | 13,000                 | -              | -                               | -                  | 13,000           |
| Shares issued for debt settlement                           | 3,580,000             | 831,850                | -              | -                               | -                  | 831,850          |
| Transfer value on option exercise                           | -                     | 8,117                  | (8,117)        | -                               | -                  | -                |
| Share-based compensation                                    | -                     | -                      | 226,710        | -                               | -                  | 226,710          |
| Loss and comprehensive loss for the period                  | -                     | -                      | -              | -                               | (1,802,722)        | (1,802,722)      |
| <b>Balance, July 31, 2016</b>                               | <b>41,753,017</b>     | <b>3,938,882</b>       | <b>813,712</b> | <b>-</b>                        | <b>(3,845,561)</b> | <b>907,033</b>   |
| Shares issued pursuant to private placements                | 10,062,728            | 1,811,291              | -              | -                               | -                  | 1,811,291        |
| Issue costs   | -                     | (196,410)              | -              | -                               | -                  | (196,410)        |
| Finders units   | -                     | (159,820)              | 159,820        | -                               | -                  | -                |
| Shares issued pursuant to acquisition of mineral properties | 2,000,000             | 340,000                | -              | -                               | -                  | 340,000          |
| Shares issued for debt settlement                           | 620,764               | 105,530                | -              | -                               | -                  | 105,530          |
| Shares issued in lieu of consulting fees                    | 113,888               | 19,361                 | -              | -                               | -                  | 19,361           |
| Shares issued pursuant to pilot plant agreement             | 300,000               | 51,000                 | -              | -                               | -                  | 51,000           |
| Warrant exercise  | 50,000                | 7,500                  | -              | -                               | -                  | 7,500            |
| Loss and comprehensive loss for the period                  | -                     | -                      | -              | -                               | (656,128)          | (656,128)        |
| <b>Balance, October 31, 2016</b>                            | <b>54,900,397</b>     | <b>5,917,334</b>       | <b>973,532</b> | <b>-</b>                        | <b>(4,501,689)</b> | <b>2,389,177</b> |

\*Reserve consists of fair values of stock options and a finder's warrants

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

**MGX Minerals Inc.**

## Condensed Interim Consolidated Statements of Cash Flows

For the three months ended October 31, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

|  | 2016           | 2015             |
|--|----------------|------------------|
|  | \$             | \$               |
| <b>Cash provided by (used in):</b>                             |                |                  |
| <b>Operating activities</b>                                    |                |                  |
| Loss for the period  | (656,128)      | (510,222)        |
| Items not affecting cash:                                      |                |                  |
| Depreciation   | 286            | 285              |
| Loss (gain) on debt settlement                                 | (36,102)       | 17,000           |
| Accrued interest on loan                                       | -              | 600              |
| Shares issued in lieu of fees                                  | 19,361         | -                |
| Share-based compensation                                       | -              | 188,112          |
| Changes in non-cash working capital items:                     |                |                  |
| Prepaid expense  | (11,495)       | (124,555)        |
| GST receivable   | 34,864         | (13,645)         |
| Accounts payable and accrued liabilities                       | (123,757)      | (1,794)          |
| Due to related parties   | (32,451)       | (39,723)         |
| Net cash used in operating activities                          | (805,422)      | (483,942)        |
| <b>Investing Activities</b>                                    |                |                  |
| Property acquisition costs                                     | (40,000)       | -                |
| Investment in Purlucid   | (50,000)       | -                |
| Net cash used in investing activities                          | (90,000)       | -                |
| <b>Financing activities</b>                                    |                |                  |
| Proceeds from private placements                               | 1,811,291      | 348,475          |
| Issue costs  | (179,722)      | (6,155)          |
| Proceeds from exercise of warrants                             | 7,500          | -                |
| Net cash provided by financing activities                      | 1,639,069      | 342,320          |
| <b>Change in cash for the period</b>                           | <b>743,647</b> | <b>(141,622)</b> |
| <b>Cash, beginning of period</b>                               | <b>31,206</b>  | <b>142,934</b>   |
| <b>Cash, end of period</b>                                     | <b>774,853</b> | <b>1,312</b>     |
| <b>Significant non-cash financing and investing activities</b> | <b>\$</b>      | <b>\$</b>        |
| Shares issued for debt settlement                              | 105,530        | 50,746           |
| Shares issued for mineral property acquisition                 | 380,000        | -                |
| <b>Supplemental information</b>                                | <b>\$</b>      | <b>\$</b>        |
| Interest paid  | -              | -                |
| Taxes paid   | -              | -                |

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

## **MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

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### **1. NATURE OF OPERATION AND CONTINUANCE OF BUSINESS**

MGX Minerals Inc. ("MGX" or the "Company") was incorporated on April 27, 2012 in Canada under the legislation of the Province of British Columbia. MGX's head office is located at Suite 303 – 1080 Howe Street, Vancouver, BC, V6Z 2T1, Canada. On July 4, 2014, the Company completed a reverse takeover transaction and the Company's common shares are currently listed on the Canadian Stock Exchange ("CSE") under the symbol XMG.

MGX is an exploration stage company in the process of exploring its mineral properties in Canada, and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at October 31, 2016, the Company has not generated any revenues from operations and has an accumulated deficit of \$4,501,689 (July 31, 2016 - \$3,845,561). The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

### **2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2016.

### **3. ACCOUNTING STANDARDS**

The following standards have been issued but are not yet effective.

## **MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

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### *IFRS 9, Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 will be annual periods beginning on or after January 1, 2018, with early adoption permitted.

### *Statement of Cash Flows*

In January 2016, IASB amended IAS 7 - Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the following:

### **Valuation of share-based payments**

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

**MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

**5. MINERAL PROPERTIES**

The following table summarizes the Company's mineral property assets as at July 31, 2016, and October 31, 2016 and the changes for the periods then ended, and exploration expenditures for the three months ended October 31, 2016.

|                                   | <b>Driftwood</b> | <b>Fran</b>    | <b>Lithium Projects</b> | <b>Silica Projects</b> | <b>Prospects, Needles &amp; Others</b> | <b>Total</b>     |
|-----------------------------------|------------------|----------------|-------------------------|------------------------|--|------------------|
|                                   | \$               | \$             | \$                      | \$                     | \$                                     | \$               |
| <b>Deferred costs</b>             |                  |                |                         |                        |  |                  |
| <b>Balance, July 31, 2015</b>     | <b>146,231</b>   | <b>414,429</b> | <b>-</b>                | <b>364,000</b>         | <b>1,469</b>                           | <b>926,129</b>   |
| Paid in cash                      | -                | -              | 40,000                  | -                      | -                                      | 40,000           |
| Cash amounts payable <sup>1</sup> | 30,000           | -              | -                       | -                      | -                                      | 30,000           |
| Paid by issue of shares           | 54,000           | -              | 193,333                 | -                      | 11,000                                 | 258,333          |
| <b>Balance July 31, 2016</b>      | <b>230,231</b>   | <b>414,429</b> | <b>233,333</b>          | <b>364,000</b>         | <b>12,469</b>                          | <b>1,254,462</b> |
| Paid in cash                      | -                | -              | 40,000                  | -                      | -                                      | 40,000           |
| Paid by issue of shares           | -                | -              | 340,000                 | -                      | -                                      | 340,000          |
| <b>Balance October 31, 2016</b>   | <b>230,231</b>   | <b>414,429</b> | <b>613,333</b>          | <b>364,000</b>         | <b>12,469</b>                          | <b>1,634,462</b> |
| <b>Exploration expenditures</b>   |                  |                |                         |                        |  |                  |
| Assays                            | -                | -              | 3,749                   | -                      | -                                      | 3,749            |
| Consulting                        | 26,491           | -              | 34,713                  | -                      | -                                      | 61,204           |
| Drilling                          | 106,500          | -              | -                       | -                      | -                                      | 106,500          |
| Excavation                        | 2,955            | -              | -                       | -                      | -                                      | 2,955            |
| Geological                        | 15,036           | 6,417          | 44,179                  | -                      | 800                                    | 66,432           |
| Miscellaneous                     | 2,608            | 218            | 902                     | -                      | 68                                     | 3,796            |
| Travel & accommodation            | 8,185            | 1,000          | 87                      | -                      | -                                      | 9,272            |
| <b>Total at October 31, 2016</b>  | <b>161,775</b>   | <b>7,635</b>   | <b>83,630</b>           | <b>-</b>               | <b>868</b>                             | <b>253,908</b>   |

<sup>1</sup>The amounts were paid during the three months ended October 31, 2016.

## MGX Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

### Fran Claims & Adjacent Claims

The Company entered into an option agreement (the "Option Agreement") on May 24, 2013 and amended on June 30, 2013, to acquire a 100% undivided interest in the Fran Claims (the "Fran Property") located within the Omineca Mining District 60 kilometres north of Fort St. James, British Columbia.

In order to acquire its 100% undivided interest in the Fran Property, the Company must pay Manto Resources Inc. (the "Optionor") a total of \$40,000 in cash, issue 24,877,310 shares of the Company to the Optionor and incur up to \$100,000 of exploration expenditures on the property.

|   | <b>Cumulative<br/>Exploration<br/>Expenditures</b> | <b>Common<br/>Shares</b> | <b>Cash<br/>Payments</b> |
|---|--|--------------------------|--------------------------|
|   | <b>\$</b>  | <b>#</b>                 | <b>\$</b>                |
| Upon closing of the plan of arrangement | -  | 24,823,310<br>(issued)   | -                        |
| On or before March 31, 2014             | -  | 54,000<br>(issued)       | -                        |
| On or before September 30, 2014         | 25,000<br>(incurred)                               | -                        | -                        |
| On or before September 30, 2017         | 50,000   | -                        | 15,000                   |
| On or before September 30, 2018         | 75,000   | -                        | 10,000                   |
| On or before September 30, 2019         | 100,000  | -                        | 10,000                   |
| On or before September 30, 2020         | -  | -                        | 5,000                    |

### Driftwood Claims

The Company entered into an option agreement on July 7, 2014 to acquire a 90% interest in the Driftwood Claims (the "Driftwood Property"). Pursuant to the terms of the agreement and in order to complete the acquisition, the Company must complete the following:

- Perform \$300,000 in exploration and development work by July 1, 2017 (done);
- Pay \$50,000 in cash to the vendors by July 1, 2016 (paid); and
- Issue 900,000 common shares of MGX to the vendors by July 1, 2016, (300,000 issued at fair value of \$30,000 in July, 2014; 300,000 at a fair value of \$96,000 on June 24, 2015, and 300,000 issued at a fair value of \$54,000 on July 7, 2016).

During the three months ended October 31, 201, the Company issued 300,000 common shares fair valued at \$51,000 for use of a floatation plant for 6 months.

### Longworth Silica Property

On July 21, 2015, the Company completed its acquisition of the Longworth Silica Property ("Longworth") pursuant to which the Company has acquired a 100% undivided interest in Longworth. As per the terms of the acquisition the Company issued 700,000 common shares to Zimtu Capital Corp ("Zimtu"), the shares were fair valued at \$350,000 during the year ended July 31, 2015.



## **MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

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### Koot Silica Property

On March 2, 2015, the Company entered into an Acquisition Agreement with American Manganese Inc. ("AMY") to acquire 100% interest in 166 contiguous hectares located in the Golden mining district of southeastern British Columbia (the "Koot Claims"). Pursuant to the terms of the Acquisition Agreement, the Company issued 100,000 shares to AMY at the fair value of \$14,000 and granted a 0.5% Net Smelter Royalty ("NSR") on any future production to AMY during the year ended July 31, 2015. The Koot Claims are also subject to a 0.5% NSR attributable to Andris Kikauka, a director of the Company.

### Wonah Mineral Claims

The Company has entered into an option agreement on December 15, 2015 to acquire up to a 100% interest in the Wonah mineral claims (the "Wonah"). Pursuant to the agreement and in order to complete the acquisition, the Company is required to pay the following:

- An aggregate of 150,000 common shares under the following schedule:
  - 50,000 common shares within 10 days of the effective date of this Agreement (Issued at a fair value of \$11,000 in Jan 2016);
  - 50,000 common shares by January 1, 2017; and
  - 50,000 common shares by January 1, 2018.

### Alberta Lithium

On January 28, 2016, the Company entered into an agreement (the "Alberta Lithium") to acquire a 100% undivided interest in 12 metallic and industrial mineral permits and permit applications in Alberta. As per the Alberta Lithium, the Company must complete the following:

- Make cash payments of \$20,000 on execution of the Alberta Lithium (paid)
- Issue 500,000 common shares of the Company within 10 days of execution of the Lithium Agreement (issued and fair valued at \$60,000 in March, 2016);
- Issue 500,000 common shares of the Company by January 28, 2017 and;
- Issue 500,000 common shares of the Company by January 28, 2018.

The Company has the right to accelerate the issuance of shares at any time after execution of the Alberta Lithium prior to January 28, 2018 by providing a written notification to optioners.

### Buck Lake Lithium

On April 7, 2016, the Company entered into an Option Agreement to acquire an undivided 100% interest in the Buck Lake Lithium claims (the "Buck Lake"). As per the Buck Lake, the Company must complete the following:

- Make cash payments of \$20,000 on execution of the Buck Lake (paid)
- Cash payments of \$20,000 each due on April 7, 2017 and April 7, 2018;
- Issue 333,332 common shares of the Company on the execution of the Buck Lake (issued and fair valued at \$133,333 in May, 2016);
- Issue 333,333 common shares of the Company by April 7, 2017;
- Issue 333,334 common shares of the Company by April 7, 2018.

Additionally, the Company granted a 2% net smelter royalty, of which 1% may be repurchased by the Company for a one-time cash payment of \$1,000,000.

## MGX Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

### Sturgeon Lake

On August 16, 2016, the Company entered into an agreement to acquire a 100% interest in the Sturgeon Lake Lithium Brine Property ("Sturgeon Lake") in west-central Alberta. As per the terms of the agreement the Company issued 2,000,000 common shares fair valued at \$340,000 and made a cash payment of \$40,000. Additionally, the property is subject to a 2% gross overriding royalty.

### Prospects and others

The Company currently holds the rights to several prospects, the acquisition costs associated to the prospects have been capitalized. The Company incurred \$868 of exploration costs related to the prospects during the three months ended October 31, 2016.

## 6. EQUIPMENT

|  |              |
|--|--------------|
|  | \$           |
| <b>Cost:</b>                             |              |
| Balance, July 31, 2015 and July 31, 2016 | 11,426       |
| <b>Accumulated Depreciation:</b>         |              |
| Balance, July 31, 2016                   | 1,595        |
| Depreciation                             | 286          |
| <b>Balance October 31, 2016</b>          | <b>1,881</b> |
| <b>Net Book Value:</b>                   |              |
| July 31, 2016                            | 9,831        |
| October 31, 2016                         | 9,545        |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at October 31, 2016 the Company has accounts payable and accrued liabilities of \$270,967 (July 31, 2016 - \$541,081) consisting solely of trade payables. During the three months ended October 31, 2016 the Company negotiated debt settlements with multiple vendors resulting in a gain on debt settlement of \$19,626. The Company settled additional debts of \$119,738 through the issuance of 620,764 common shares resulting in a gain on debt settlement of \$14,208 (note 8).

## 8. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares without par value

### b) Financings

Financings during the three months ended October 31, 2016 are as follows:

- On September 19, 2016, the Company closed its rights offering issuing 10,062,728 units at \$0.18 per unit for gross proceeds of \$1,811,291. Each unit consists of one common share and one-half of one purchase warrant, with each warrant exercisable into one common share at a price of \$0.20 per share for a period of 24 months. The Company paid \$196,410 of cash issue costs related to the financing.

**MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

- The Company also issued 1,422,939 finders unit warrants at an exercise price of \$0.18 per unit for a period of 24 months following the closing date. Each finders unit consisted of one common share of the Company and half a share purchase warrant exercisable at \$0.20. The finders units were fair valued at \$159,820 using the Black-Scholes model based on the following assumptions: risk free rate - 0.51%; expected dividend - nil; expected life – 2 years; expected volatility – 125%,
- On October 7, 2016, the Company issued 2,000,000 common shares fair valued at \$340,000.
- On October 7, 2016, the Company issued 300,000 in consideration for a float plant rental for the Driftwood creek property (note 5)
- On October 7, 2016, the Company issued 620,764 common shares to settle debts of \$119,738. The shares were fair valued at \$105,530 and the Company recorded a gain on debt settlement of \$14,208.
- On October 7, 2016, the Company issued 113,888 common shares in lieu of consulting fees, the shares were fair valued at \$19,361.

c) Share purchase options

The balance of share purchase options outstanding and exercisable as at October 31, 2016 and July 31, 2016 and the changes for the periods then ended is as follows:

|                           | Number of<br>Options<br># | Weighted<br>Average<br>Exercise<br>Price<br>\$ | Weighted Average<br>Life Remaining<br>(years) |
|---------------------------|---------------------------|--|---|
| Balance, July 31, 2015    | 2,325,000                 | 0.21   | 2.90  |
| Granted                   | 1,750,000                 | 0.42   |   |
| Exercised                 | (100,000)                 | 0.13   |   |
| Balance, July 31, 2016    | 3,975,000                 | 0.31   | 1.71  |
| Expired                   | (200,000)                 | 0.58   |   |
| Balance, October 31, 2016 | 3,775,000                 | 0.29   | 1.54  |

The Company recorded share based compensation expense of \$nil during the three months ended October 31, 2016 (October 31, 2015 - \$188,112). The Company granted 500,000 options during the three months ended October 31, 2015.

**MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

As at October 31, 2016, the following share purchase options were outstanding and exercisable:

| Outstanding | Exercise Price | Expiry Date     |
|-------------|----------------|-----------------|
| 300,000     | \$0.60         | October 1, 2017 |
| 100,000     | \$0.13         | March 1, 2018   |
| 1,050,000   | \$0.40         | May 5, 2018     |
| 900,000     | \$0.10         | July 18, 2018   |
| 400,000     | \$0.10         | July 22, 2018   |
| 1,025,000   | \$0.35         | June 29, 2018   |
| 3,775,000   | \$0.29         |                 |

d) Warrants

The balance of warrants outstanding and exercisable as at October 31, 2016 and July 31, 2016 and the changes for the periods then ended are as follows:

|                          | Number of Warrants | Weighted average exercise price \$ |
|--------------------------|--------------------|------------------------------------|
| Balance, July 31, 2015   | 70,298             | 0.30                               |
| Issued                   | 6,622,364          | 0.19                               |
| Balance, July 31, 2016   | 6,692,662          | 0.19                               |
| Expired                  | (472,364)          | 0.65                               |
| Exercised                | (50,000)           | 0.15                               |
| Issued                   | 6,454,303          | 0.20                               |
| Balance October 31, 2016 | 12,624,601         | 0.17                               |

The following table summarizes the warrants outstanding as at October 31, 2016:

| Warrants   | Exercise Price | Expiry Date        |
|------------|----------------|--------------------|
| #          | \$             |                    |
| 70,298     | 0.30           | July 21, 2017      |
| 6,100,000  | 0.15           | May 4, 2018        |
| 5,031,364  | 0.20           | September 21, 2018 |
| 1,422,939  | 0.18           | September 21, 2018 |
| 12,624,601 | 0.17           |                    |

**MGX Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

**9. RELATED PARTY TRANSACTIONS**

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three months ended October 31, 2016 and 2015:

|                 | <b>2016</b>   | <b>2015</b>   |
|-----------------|---------------|---------------|
|                 | <b>\$</b>     | <b>\$</b>     |
| Management fees | 33,000        | 33,000        |
| Geological fees | 13,900        | 16,000        |
|                 | <b>46,900</b> | <b>49,000</b> |

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

As at October 31, 2016, the Company had \$58,937 (July 31, 2016 - \$86,663) owing to related parties. A total payable of \$54,913 (July 31, 2015 - \$82,639) was owed to directors and officers of the Company and companies owned by them. A payable of \$960 (2015 - \$960) was owed to a company with common directors and a payable of \$3,064 (2015 - \$3,064) was owed to a former parent company. All of the amounts are unsecured, non-interest bearing and due on demand.

**10. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

**11. SUBSEQUENT EVENTS**

- On November 14, 2016, the Company entered into a definitive agreement with PurLucid Treatment Solutions Inc. ("PurLucid") which allows the Company to acquire up to 100% of PurLucid. The Company can acquire an initial 50% ownership through the investment of \$5,000,000 over the following three years. PurLucid will assist in the development of the Company's lithium properties. As at October 31, 2016 the Company had made cash payments of \$50,000 related to the PurLucid agreement.
- On November 8, 2016, 100,000 options were exercised at \$0.13 per option for gross proceeds of \$13,000.
- On November 8, 2016, the Company issued 40,695 common shares in lieu of consulting fees and 111,111 common shares to settle debt.
- On November 22, 2016, 400,000 warrants were exercised at \$0.15 per warrant for gross proceeds of \$60,000 and 500,000 warrants were exercised at \$0.18 per warrant for gross proceeds of \$90,000.
- On December 5, 2016, 575 warrants were exercised at \$0.20 for gross proceeds of \$115.
- On December 8, 2016, 6,875 warrants were exercised at \$0.20 for gross proceeds of \$1,375.
- On December 8, 2016, 300,000 warrants were exercised at \$0.18 for gross proceeds of \$54,000 and 50,000 warrants were exercised at \$0.15 for gross proceeds of \$7,500.
- On December 12, 2016, 250,000 warrants were exercised at \$0.15 for gross proceeds of \$37,500.

**Schedule “B”**

**Supplementary Information**

*[inserted in Schedule “A”]*

**Schedule “C”**

**Management’s Discussion & Analysis**

*[inserted as following pages]*

# **MGX MINERALS INC.**

303 – 1080 Howe Street  
Vancouver, BC V6Z 2T1  
Tel.: (604) 681-7735

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED OCTOBER 31, 2016**

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The following Management's Discussion and Analysis ("MD&A"), prepared as of December 29, 2016, should be read in conjunction with the unaudited condensed interim consolidated financial statements of MGX Minerals Inc. ("MGX" or "the Company") for the three months ended October 31, 2016, together with the audited consolidated financial statements of the Company for the year ended July 31, 2016 and the accompanying MD&A for that fiscal year. The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All financial amounts are stated in Canadian dollars unless stated otherwise.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

### **FORWARD-LOOKING STATEMENTS**

The Company's condensed interim consolidated financial statements for the three months ended October 31, 2016, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of December 29, 2016.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend", and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

These forward-looking statements are based on current expectations and various estimates, factors and assumptions, and involve known and unknown risks, uncertainties and other factors. All statements, other than statements of historical fact, included herein, including without limitation, statements about potential mineralization at the Company's properties, the timelines to complete exploration programs or technical reports and statements about the Company's future development of its properties. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Additional risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, except as required by law, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **DESCRIPTION OF BUSINESS**

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral resource properties located in Canada. The head office is located at Suite 303, 1080 Howe Street, Vancouver, British Columbia, Canada, V6Z 2T1.



# MGX MINERALS INC.

MD&A

October 31, 2016

On July 4, 2014, the Company completed a reverse takeover transaction (the “RTO” or the “Transaction”) by Manto Gold Corp. (“Manto” or the “Subsidiary”). In connection with closing of the Transaction, “Defiant Minerals Corp.” (“Defiant”) changed its name to “MGX Minerals Inc.” and Manto became the wholly-owned subsidiary of the Company.

## OVERALL PERFORMANCE

Highlights:

- During the three months ended October 31, 2016 the Company closed its rights offering issuing 10,062,728 units at \$0.18 per unit for gross proceeds of \$1,811,291. Each unit consists of one common share and one-half of one purchase warrant, with each warrant exercisable into one common share at a price of \$0.20 per share for a period of 24 months. The Company paid \$179,723 of cash issue costs related to the financing. The Company also issued 1,422,939 finders unit warrants at an exercise price of \$0.18 per unit for a period of 24 months following the closing date.
- On August 16, 2016, the Company entered into an agreement to acquire a 100% interest in the Sturgeon Lake Lithium Brine Property (“Sturgeon Lake”) in west-central Alberta. As per the terms of the agreement the Company issued 2,000,000 common shares and made a cash payment of \$40,000. Additionally, the property is subject to a 2% gross overriding royalty.

## DISCUSSION OF OPERATIONS

The Company recorded a net loss of \$656,128 (\$0.01 per share) for the three months ended October 31, 2016 as compared to a loss of \$510,222 (\$0.02 per share) for the three months ended October 31, 2015.

The increase in loss for the three months ended October 31, 2016 is due to the following:

- Exploration expense of \$253,908 (2015 - \$159,411) increased as the Company increased exploration work on Driftwood including additional drilling. The Company also acquired additional lithium properties in Alberta that resulted in increased exploration work.
- The Company incurred \$133,588 (2015 - \$29,033) of advertising and promotion expenses during the three months ended October 31, 2016. The Company continued to expand its exploration operations and is therefore focused on creating more awareness of its activities. The Company engaged several consultants throughout the year to improve its market presence.
- The Company recorded share-based compensation expense of \$nil (2015 - \$188,112) during the three months ended October 31, 2016 as the Company did not grant any options during the period.
- The Company also recorded a loss on debt settlement of \$36,102 (2015 – loss of \$17,000) as the Company issued shares to settle debt. The shares are valued on the date of issuance and share price fluctuations led to a loss on debt settlement during the three months ended October 31, 2015.
- Consulting fees of \$180,396 (2015 - \$43,042) increased as the Company has increased its presence in the lithium exploration market.

# MGX MINERALS INC.

MD&A

October 31, 2016

## SUMMARY OF QUARTERLY RESULTS

The following table sets out financial information for the past eight quarters:

|                                   | Three Months Ended (\$) |                  |                   |                     |
|-----------------------------------|-------------------------|------------------|-------------------|---------------------|
|                                   | October 31,<br>2016     | July 31,<br>2016 | April 30,<br>2016 | January 31,<br>2016 |
| Loss and comprehensive loss       | (656,128)               | (1,157,428)      | (206,143)         | (439,151)           |
| Basic and diluted loss per share* | (0.01)                  | (0.03)           | (0.01)            | (0.01)              |
| Total assets                      | 2,719,081               | 1,534,777        | 1,708,113         | 1,169,143           |
| Working capital (deficit)         | 679,170                 | (389,948)        | (128,694)         | (430,507)           |

|                                   | Three Months Ended (\$) |                  |                   |                     |
|-----------------------------------|-------------------------|------------------|-------------------|---------------------|
|                                   | October 31,<br>2015     | July 31,<br>2015 | April 30,<br>2015 | January 31,<br>2015 |
| Loss and comprehensive loss       | (510,222)               | (854,748)        | (52,402)          | (131,387)           |
| Basic and diluted loss per share* | (0.02)                  | (0.03)           | (0.01)            | (0.01)              |
| Total assets                      | 1,181,357               | 1,185,064        | 653,634           | 534,034             |
| Working capital                   | (159,492)               | (208,948)        | 117,385           | (69,415)            |

\* No exercise or conversion is assumed during the periods in which a loss is incurred, as the effect is anti-dilutive.

The increase in net loss for the period ended July 31, 2016 is due to share based compensation related to the grant of stock options and an increase in exploration expenses related to the development of the Driftwood property and the Lithium properties.

The loss for the quarter ended July 31, 2015 includes \$301,485 of share based compensation expenses related to the grant of stock options.

# MGX MINERALS INC.

MD&A

October 31, 2016

## MINERAL PROPERTIES

The following table summarizes the Company's mineral property assets as at October 31, 2016 and July 31, 2016 and the changes for the periods then ended as well as exploration expenditures for the three months ended July 31, 2016.

|                                   | Driftwood      | Fran           | Lithium Projects | Silica Projects | Prospects, Needles & Others | Total            |
|-----------------------------------|----------------|----------------|------------------|-----------------|-----------------------------|------------------|
|                                   | \$             | \$             | \$               | \$              | \$                          | \$               |
| <b>Deferred costs</b>             |                |                |                  |                 |                             |                  |
| <b>Balance, July 31, 2015</b>     | <b>146,231</b> | <b>414,429</b> | <b>-</b>         | <b>364,000</b>  | <b>1,469</b>                | <b>926,129</b>   |
| Paid in cash                      | -              | -              | 40,000           | -               | -                           | 40,000           |
| Cash amounts payable <sup>1</sup> | 30,000         | -              | -                | -               | -                           | 30,000           |
| Paid by issue of shares           | 54,000         | -              | 193,333          | -               | 11,000                      | 258,333          |
| <b>Balance July 31, 2016</b>      | <b>230,231</b> | <b>414,429</b> | <b>233,333</b>   | <b>364,000</b>  | <b>12,469</b>               | <b>1,254,462</b> |
| Paid in cash                      | -              | -              | 40,000           | -               | -                           | 40,000           |
| Paid by issue of shares           | -              | -              | 340,000          | -               | -                           | 340,000          |
| <b>Balance October 31, 2016</b>   | <b>230,231</b> | <b>414,429</b> | <b>613,333</b>   | <b>364,000</b>  | <b>12,469</b>               | <b>1,634,462</b> |
| <b>Exploration expenditures</b>   |                |                |                  |                 |                             |                  |
| Assays                            | -              | -              | 3,749            | -               | -                           | 3,749            |
| Consulting                        | 26,491         | -              | 34,713           | -               | -                           | 61,204           |
| Drilling                          | 106,500        | -              | -                | -               | -                           | 106,500          |
| Excavation                        | 2,955          | -              | -                | -               | -                           | 2,955            |
| Geological                        | 15,036         | 6,417          | 44,179           | -               | 800                         | 66,432           |
| Miscellaneous                     | 2,608          | 218            | 902              | -               | 68                          | 3,796            |
| Travel & accommodation            | 8,185          | 1,000          | 87               | -               | -                           | 9,272            |
| <b>Total at October 31, 2016</b>  | <b>161,775</b> | <b>7,635</b>   | <b>83,630</b>    | <b>-</b>        | <b>868</b>                  | <b>253,908</b>   |

### *Fran Property (British Columbia)*

The Company entered into an option agreement (the "Option Agreement") on May 24, 2013, and amended on June 30, 2013, to acquire a 100% undivided interest in the Fran Claims (the "Fran Property"), located within the Omineca Mining District 60 kilometres north of Fort St. James, British Columbia.

In order to acquire its 100% undivided interest in the Fran Property, the Company must pay Manto Resources Inc. (the "Optionor") a total of \$40,000 in cash, issue 24,877,310 shares of the Company to the Optionor and incur up to \$100,000 of exploration expenditures on the property September 30, 2019.

# **MGX MINERALS INC.**

MD&A

October 31, 2016

## ***Driftwood Claims (British Columbia)***

The Company entered into an option agreement (the "Option Agreement") on July 7, 2014, to acquire a 90% interest in the Driftwood Claims (the "Driftwood Property"). Pursuant to the terms of the agreement and in order to complete the acquisition, MGX must complete the following:

- Perform \$300,000 in exploration and development work by July 1, 2017;
- Pay \$50,000 in cash to the vendors by July 1, 2016 (\$20,000 paid in June 2015, \$30,000 paid subsequent to July 31, 2016); and,
- Issue 900,000 common shares of MGX to the vendors by July 1, 2016, (300,000 issued at fair value of \$30,000 in July, 2014; 300,000 at a fair value of \$96,000 in June, 2015 and 300,000 issued at a fair value of \$54,000 in July, 2016).

During the three months ended October 31, 2016, the Company filed a resource estimate for the Driftwood Property that showed measured plus indicated mineral resources of 8.028 million tonnes grading 43.31% magnesium oxide, inferred mineral resources of 846,000 tonnes grading 43.20 magnesium oxide with the bulk of the resource located less than 100 metres from surface. The full NI 43-101 complaint resource estimate was filed on www.sedar.com on September 26, 2016. On October 27, 2016, the Company completed 16 drill holes as part of an infill drilling campaign in an effort to complete a preliminary economic assessment.

## ***Longworth Silica Property (British Columbia)***

On July 21, 2015, the Company completed its acquisition of a 100% undivided interest in the Longworth Silica Property ("Longworth"). As per the terms of the acquisition, the Company issued 700,000 common shares to Zimtu Capital Corp ("Zimtu") at a fair value of \$350,000. On July 18, 2016, the Company filed a NI 43-101 technical report for the property.

## ***Koot Silica Property (British Columbia)***

On March 2, 2015, the Company entered into an Acquisition Agreement with American Manganese Inc. ("AMY") to acquire a 100% interest in 166 contiguous hectares located in the Golden mining district of southeastern British Columbia (the "Koot Claims"). Pursuant to the terms of the Acquisition Agreement, the Company issued 100,000 shares to AMY at the fair value of \$14,000 and granted a 0.5% Net Smelter Royalty ("NSR") on any future production to AMY. The Koot Claims are also subject to a 0.5% NSR attributable to Andris Kikauka, a director of the Company.

## ***Wonah Mineral Claims***

On December 15, 2015, the Company entered into a Share Purchase Agreement to acquire a 100% undivided interest in the Wonah Mineral Claims ("Wonah"). In consideration, the Company will issue 150,000 shares over a three-year period to the Company's non-independent Qualified Person, Andris Kikauka, and a third party. There are no underlying royalties. During the year ended July 31, 2016, the Company issued 50,000 shares to the vendor at a fair value of \$11,000.

## ***Lithium Properties***

### **Alberta Lithium**

On January 28, 2016, the Company entered into a purchase agreement (the "Alberta Lithium Agreement") to acquire a 100% undivided interest in 12 metallic and industrial mineral permits and permit applications in Alberta. As per the Alberta Lithium Agreement, the Company must complete the following:

- Make cash payments of \$20,000 (paid in March, 2016);
- Issue 500,000 common shares of the Company (issued and fair valued at \$60,000 in March, 2016);
- Issue 500,000 common shares of the Company by January 28, 2017; and,
- Issue 500,000 common shares of the Company by January 28, 2018.

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The Company has the right to accelerate the issuance of shares at any time after execution of the Alberta Lithium Agreement by providing a written notification to the vendors.

## **Buck Lake Lithium**

On April 7, 2016, the Company entered into an Option Agreement to acquire an undivided 100% interest in the Buck Lake Lithium claims (the "Buck Lake Agreement"). As per the Buck Lake Agreement, the Company must complete the following:

- Make cash payments of \$20,000 (paid in April, 2016);
- Make cash payments of \$20,000 each due on April 7, 2017 and April 7, 2018;
- Issue 333,332 common shares of the Company (issued at the fair value of \$133,333 in May, 2016);
- Issue 333,333 common shares of the Company by April 7, 2017; and,
- Issue 333,334 common shares of the Company by April 7, 2018.

Additionally, the Company granted a 2% NSR, of which 1% may be repurchased by the Company for a one-time cash payment of \$1,000,000.

## **Sturgeon Lake Lithium**

On August 16, 2016, the Company entered into an agreement to acquire a 100% interest in the Sturgeon Lake Lithium Brine Property ("Sturgeon Lake") in west-central Alberta. As per the terms of the agreement, the Company issued 2,000,000 common shares fair valued at \$340,000 and made a cash payment of \$40,000. Additionally, the property is subject to a 2% gross overriding royalty.

The Company is focused on continuing to develop its lithium properties and developed a process for a rapid extraction of lithium from salt brine, in particular oilfield production water brine. The process was developed to eliminate the solar evaporation phase which is part of a two-step lithium extraction from brine process in common use. By eliminating the solar evaporation phase the process time could be reduced by 99% from approximately 18 months to one day. The Company held over 250,000 hectares of metal and metallic mineral claims in the Province of Alberta, covering the majority of historical anomalous lithium assays greater than or equal to 90mg/L Li as reported by the Alberta Geological Survey (2011).

## ***Prospects***

The Company currently holds the rights to several prospects, the acquisition costs associated with the prospects have been capitalized.

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## OUTSTANDING SHARE DATA

Authorized: Unlimited common shares without par value

All share information is reported as of December 29, 2016, in the following table:

| Type of Security                     | Number     | Exercise Price (\$) | Expiry Date        |
|--------------------------------------|------------|---------------------|--------------------|
| Issued and outstanding common shares | 56,659,653 | N/A                 | N/A                |
| Stock options                        | 900,000    | 0.10                | July 18, 2018      |
| Stock options                        | 400,000    | 0.10                | July 22, 2018      |
| Stock options                        | 1,025,000  | 0.35                | June 29, 2018      |
| Stock options                        | 1,050,000  | 0.40                | May 5, 2018        |
| Stock options                        | 300,000    | 0.60                | October 1, 2017    |
| Warrants                             | 5,423,914  | 0.20                | September 19, 2018 |
| Warrants                             | 622,939    | 0.18                | September 19, 2018 |
| Warrants                             | 5,400,000  | 0.15                | May 4, 2018        |
| Warrants                             | 70,298     | 0.30                | July 21, 2017      |
| Total                                | 71,851,804 |                     |                    |

## TRANSACTIONS BETWEEN RELATED PARTIES

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three months ended October 31, 2016 and 2015:

|                              | 2016   | 2015   |
|------------------------------|--------|--------|
|                              | \$     | \$     |
| Management fees <sup>1</sup> | 33,000 | 33,000 |
| Geological fees <sup>2</sup> | 13,900 | 16,000 |
|                              | 46,900 | 49,000 |

<sup>1</sup> Management fees consisted of fees from Jared Lazerson (CEO) and Michael Reimann (CFO)

<sup>2</sup> Geological fees consisted of fees from Andris Kikauka

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

As at October 31, 2016, the Company had \$58,937 (July 31, 2016 - \$86,663) owing to related parties. A total payable of \$54,913 (July 31, 2015 - \$82,639) was owed to directors and officers of the Company and companies owned by them. A payable of \$960 (2015 - \$960) was owed to a company with common directors and a payable of \$3,064 (2015 - \$3,064) was owed to a former parent company. All of the amounts are unsecured, non-interest bearing and due on demand.

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## LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's cash on hand, working capital and cash flow:

| As at                                 | October 31, 2016 | July 31, 2016    |
|---------------------------------------|------------------|------------------|
|                                       | \$               | \$               |
| Cash                                  | 774,853          | 31,206           |
| Working capital (deficiency)          | 679,170          | (389,948)        |
| For the period ended                  | October 31, 2016 | October 31, 2015 |
|                                       | \$               | \$               |
| Cash used in operating activities     | (805,422)        | (483,941)        |
| Cash used in investing activities     | (90,000)         | -                |
| Cash provided by financing activities | 1,639,069        | 342,320          |
| Change in cash                        | 743,647          | (141,621)        |

As at October 31, 2016, the Company had working capital of \$679,170 (July 31, 2016 - deficit of \$389,948), has not generated any revenue from operations and has an accumulated deficit of \$4,501,689 (July 31, 2016 - \$3,845,561). The Company's working capital is not sufficient to cover expenditures for the next twelve months and therefore there is significant doubt about the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent on its ability to complete financings that would raise working capital to levels sufficient enough to maintain operations and continue the development of the Driftwood property and the Lithium properties.

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital asset is a resource property. Exploration expenditures are expensed as incurred.

The Company's resource property agreement is an option agreement and the exercise thereof is at the discretion of the Company. To earn its interest in the properties, the Company must incur certain expenditures in accordance with the agreements (see "Mineral Properties" in this MD&A for more information).

The Company depends on equity sales to finance its exploration programs and to cover administrative expenses.

## FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

During the three months ended October 31, 2016 the Company completed the following financing activities:

- On September 19, 2016, the Company closed its rights offering issuing 10,062,728 units at \$0.18 per unit for gross proceeds of \$1,811,291. Each unit consists of one common share and one-half of one purchase warrant, with each warrant exercisable into one common share at a price of \$0.20 per share for a period of 24 months. The Company paid \$196,410 of cash issue costs related to the financing.
- The Company also issued 1,422,939 finders unit warrants at an exercise price of \$0.18 per unit for a period of 24 months following the closing date. Each finders unit consisted of one common share of the Company and half a share purchase warrant exercisable at \$0.20. The finders units were fair valued at \$159,820 using the Black-Scholes model based on the following assumptions: risk free rate - 0.51%; expected dividend - nil; expected life - 2 years; expected volatility - 125%.
- On October 7, 2016, the Company issued 2,000,000 common shares fair valued at \$340,000.
- On October 7, 2016, the Company issued 300,000 in consideration for a float plant rental for the Driftwood creek property (note 5)
- On October 7, 2016, the Company issued 620,764 common shares to settle debts of \$119,738. The shares were fair valued at \$105,530 and the Company recorded a gain on debt settlement of \$14,208.
- On October 7, 2016, the Company issued 113,888 common shares in lieu of consulting fees, the shares were fair valued at \$19,361.

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The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet transactions.

## **PROPOSED TRANSACTIONS**

The Company has no proposed transactions that will materially affect the performance of the Company.

## **ACCOUNTING POLICIES**

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2016.

The following standards have been issued but are not yet effective:

### ***IFRS 9, Financial instruments***

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 will be annual periods beginning on or after January 1, 2018, with early adoption permitted.

### ***IAS 7, Statement of Cash Flows***

In January 2016, IASB amended IAS 7, Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017.



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## FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

|  | October 31, 2016 | July 31, 2015 |
|--|------------------|---------------|
|  | \$               | \$            |
| Loans and receivables:                             |                  |               |
| Cash   | 774,853          | 31,206        |
| Financial liabilities, measured at amortized cost: |                  |               |
| Accounts payable and accrued liabilities           | 270,967          | 541,081       |
| Due to related parties                             | 58,937           | 86,663        |
| Loan payable                                       | -                | -             |
|  | 329,904          | 627,744       |

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at October 31, 2016, the Company has working capital of \$679,170 (July 31, 2016 – deficit of \$389,948) which is not sufficient to cover expenditures for the next twelve months.

### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

### Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

### Foreign currency exchange rate risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

## RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economical.

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The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish mineral reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments.

Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines.

If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

## **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements for the three months ended October 31, 2016, and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **OUTLOOK**

The outlook for precious metals is good. The capital markets needed to access financing are challenging but management believes the Company will continue as a viable entity. The properties will require significant investment as they transition into development stage projects.

## **SUBSEQUENT EVENTS**

- On November 14, 2016 the Company entered into a definitive agreement with PurLucid Treatment Solutions Inc. ("PurLucid") which allows the Company to acquire up to 100% of PurLucid. The Company can acquire an initial 50% ownership through the investment of \$5,000,000 over the following three years. PurLucid will assist in the development of the Company's lithium properties. As at October 31, 2016, the Company had made cash payments of \$50,000 related to the PurLucid agreement.
- On November 8, 2016, 100,000 options were exercised at \$0.13 per option for gross proceeds of \$13,000.
- On November 8, 2016, the Company issued 40,695 common shares in lieu of consulting fees and 111,111 common shares to settle debt.
- On November 22, 2016, 400,000 warrants were exercised at \$0.15 per warrant for gross proceeds of

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\$60,000 and 500,000 warrants were exercised at \$0.18 per warrant for gross proceeds of \$90,000.

- On December 5, 2016, 575 warrants were exercised at \$0.20 for gross proceeds of \$115.
- On December 8, 2016, 6,875 warrants were exercised at \$0.20 for gross proceeds of \$1,375.
- On December 8, 2016, 300,000 warrants were exercised at \$0.18 for gross proceeds of \$54,000 and 50,000 warrants were exercised at \$0.15 for gross proceeds of \$7,500.
- On December 12, 2016, 250,000 warrants were exercised at \$0.15 for gross proceeds of \$37,500.

### **OTHER**

Additional information relating to the Company's operations and activities can be found by visiting [www.sedar.com](http://www.sedar.com) and [www.mgxminerals.com](http://www.mgxminerals.com).