MGX MINERALS INC.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended January 31, 2021 and 2020

(Unaudited - expressed in Canadian dollars)

MGX MINERALS INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim 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 financial statements and related financial reporting matters.

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

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note	January 31, 2021	July 31, 2020
		$	$
Assets			
Current Assets			
Cash		4,184	624,525
Prepaid		342,240	362,767
GST receivables		630,339	637,640
Marketable securities	**4**	-	37,500
Due from related parties	**13**	43,656	-
		1,020,419	1,662,432
Non-Current Assets			
Equipment	**7**	4,392,541	4,404,902
Investment in Zinc8	**9**	3,196,777	1,866,075
Loan receivable	**6**	-	620,000
Mineral properties	**5**	3,700,660	3,415,660
Reclamation bond		137,125	137,125
		11,427,103	10,443,762
Total Assets		12,447,522	12,106,194
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		12,197,339	12,733,073
Short-term lease liability	**14**	11,067	10,234
Short-term loan payable	**10**	648,481	648,481
Due to related parties	**13**	-	291,115
		12,856,887	13,682,903
Long-term lease liability	**14**	23,819	29,549
Long-term loan payable	**11**	2,681,705	2,981,705
		2,705,524	3,011,254
Total liabilities		15,562,411	16,694,157
Shareholders' Equity			
Share capital	**12**	64,174,544	63,396,089
Reserve	**12**	18,635,207	18,635,207
Deficit		(87,913,409)	(88,611,453)
Equity attributable to shareholders		(5,103,658)	(6,580,157)
Non-controlling interest	**16**	1,988,769	1,992,194
Total equity		(3,114,889)	(4,587,963)
Total Liabilities and Shareholders' Equity		12,447,522	12,106,194

Nature of operations and going concern (Note 1)
Contingencies (19)

Approved by the Board of Directors on April 1, 2021

"Jared Lazerson"	*"Andris Kikuaka"*
Jared Lazerson, Director	Andris Kikuaka, Director

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three and Six Months Ended January 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

	Notes	Three months ended January 31, 2021	Three months ended January 31, 2020	Six months ended January 31, 2021	Six months ended January 31, 2020
		$	$	$	$
Exploration expenses	**7**	91,998	6,252	137,082	28,879
Administrative Expenses					
Advertising and promotion		15,000	15,187	116,742	43,575
Consulting fees		72,325	197,697	453,275	1,057,044
Depreciation	**9**	6,180	10,796	12,361	19,071
Office and administrative		68,334	113,479	192,089	257,750
Interest and bank charges		1,534	107,602	2,976	138,320
Management fees	**15**	-	69,000	110,500	138,000
Professional fees		109,292	240,602	257,104	271,433
Research and development		18,750	147,683	18,750	541,067
Salaries		48,461	174,049	75,384	406,400
Share-based compensation	**14**	-	12,044	-	278,031
Transfer agent and filing fees		13,137	16,153	19,186	24,011
Travel and entertainment		986	64,591	2,990	139,097
		353,999	1,168,883	1,261,357	3,313,799
Loss before other (expenses) income		(445,997)	(1,175,135)	(1,398,439)	(3,342,678)
Other (expenses) income					
Grant revenue	**16**	-	478,346	54,744	2,444,445
Interest income		-	200,329	-	302,924
Loss on debt settlement	**12**	-	-	(56,233)	-
Unrealized gain (loss) on marketable securities		2,256,101	-	1,977,560	(20,000)
(Loss)/gain on equity investments	**11**	-	(273,890)	-	(1,039,196)
Foreign exchange loss		119,299	(13,199)	116,987	16,072
		2,375,400	391,586	2,093,058	1,704,245
Income (loss) and comprehensive income (loss) for the period		**1,929,403**	**(783,549)**	**694,619**	**(1,638,433)**
Income (loss) and comprehensive income (loss) for the period attributable to:					
Shareholders of the Company		1,931,794	(723,961)	698,044	(1,754,445)
Non-controlling interest		(2,391)	(59,588)	(3,425)	116,012
Earnings (loss) per share, basic and diluted		0.01	(0.00)	0.01	(0.01)
Weighted average number of shares outstanding		140,385,960	140,385,960	140,385,960	140,385,960

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Six Months Ended January 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

	Common Shares	Share Capital	Reserve*	Deficit	NCI	Total
	#	$	$	$	$	$
Balance, July 31, 2019	**140,385,960**	**63,127,330**	**18,077,435**	**(64,650,249)**	**3,008,607**	**19,563,123**
Share-based payments	-	-	278,031	-	-	278,031
(loss) income for the period	-	-	-	(1,754,445)	116,013	(1,638,432)
Balance, January 31, 2020	**140,385,960**	**63,127,330**	**18,355,466**	**(66,404,694)**	**3,124,620**	**18,202,722**
Shares issued pursuant to debt settlement	2,337,099	168,759	-	-	-	168,759
Shares issued pursuant to mineral property acquisition	2,000,000	100,000	-	-	-	100,000
Share-based payments	-	-	279,741	-	-	279,741
Loss for the year	-	-	-	(22,206,759)	(1,132,426)	(23,339,185)
Balance, July 31, 2020	**144,723,059**	**63,396,089**	**18,635,207**	**(88,611,453)**	**1,992,194**	**(4,587,963)**
Shares issued pursuant to debt settlement	2,938,000	249,730	-	-	-	249,730
Shares issued pursuant to claim settlements	6,478,755	388,725	-	-	-	388,725
Shares issued pursuant to mineral property acquisition	2,500,000	140,000	-	-	-	140,000
(loss) income for the period	-	-	-	698,044	(3,425)	694,619
Balance, January 31, 2021	**156,639,814**	**64,174,544**	**18,635,207**	**(87,913,409)**	**1,988,769**	**3,114,889**

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

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Three and Six Months Ended January 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

	2021	2020
	$	$
Cash provided by (used in):		
Operating activities		
Income (loss) for the period	694,619	(1,638,433)
Items not affecting cash:		
Amortization	12,360	19,071
Accrued interest payable	1,129	37,878
Accrued interest income	-	(302,675)
Share-based compensation	-	278,031
Unrealized (gain)/loss on investments	(1,555,645)	20,000
Loss on debt settlement	56,233	-
Loss (gain) on equity investment	-	1,039,196
Shares issued for exploration activities	30,000	-
Changes in non-cash working capital items:		
Prepaid expense	20,527	70,653
GST receivable	(23,492)	(6,175)
Accounts payable and accrued liabilities	(1,230,421)	957,963
Due to related parties	(181,115)	32,012
Net cash used in operating activities	(2,175,805)	507,521
Investing activities		
Reclamation deposit	-	10,000
Purchase of equipment	-	(200,000)
Property acquisition costs	(285,000)	-
Sale of Zinc8 Shares	218,787	250,806
Net cash used in investing activities	(66,213)	60,806
Financing activities		
Debt Settlement	1,276,910	
Lease payments	(6,026)	-
Zinc8 Loan	-	-
Short term advance	-	-
Proceeds from loan repayments	650,793	-
Loan repayments	(300,000)	(20,373)
Net cash provided by financing activities	1,621,677	(20,373)
Change in cash for the period	(620,341)	547,954
Cash, beginning of period	624,525	158,531
Cash, end of period	4,184	706,485

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 and is 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 condensed interim 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 January 31, 2021, the Company has not generated any revenues from operations and has an accumulated deficit of $87,913,409 (July 31, 2020 - $88,611,453). 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 condensed interim 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods.

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, 2020, 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, 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 financial statements and the reported revenues and expenses during the year. 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 valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

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.

Site decommissioning obligations
The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

4. MARKETABLE SECURITIES

During the year ended July 31, 2018, the Company acquired 4,000,000 units at $0.05 per unit, of Belmont Resources Inc. ("Belmont"), with each unit made up of one share and one common share purchase warrant, exercisable at $0.08/$0.09 per share until July 23, 2020. Shares of Belmont considered financial assets at fair value through profit or loss, and are measured at their quoted fair market value. The 4,000,000 warrants were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk free interest rate – 2.00%-; expected life – 1.98 years-2 years; expected volatility – 98.76% – 102.00%; and expected dividends – nil.

During the six months ended January 31, 2021 the Company sold its shares of Belmont for proceeds of $27,570 and recorded a loss on sale of $9,930. As at January 31, 2021 the Company has no remaining shares or warrants of Belmont.

5. MINERAL PROPERTIES

As at January 31, 2021 the Company had capitalized $3,700,660 (July 31, 2020 - $3,415,660) of mineral property acquisition costs. The Company's mineral property assets as at January 31, 2021 and July 31, 2020 and the changes for the periods then ended, and exploration expenditures for the period ended January 31, 2021 is as follows:

(Unaudited - expressed in Canadian dollars)

	Driftwood	Fran	Tillicum Gold	Canada Lithium	Silica Projects	Total
	$	$	$	$	$	$
Balance, July 31, 2020	**230,231**	**414,429**	**175,000**	**2,005,000**	**591,000**	**3,415,660**
Paid in cash	-	-	285,000	-	-	285,000
Balance, January 31, 2021	**230,231**	**414,429**	**460,000**	**2,005,000**	**591,000**	**3,700,660**
Exploration expenditures						
Assays	-	-	3,774	-	-	3,774
Administrative	-	-	1,132	-	-	1,132
Consulting	-	-	51,861	-	-	51,861
Field work	-	-	3,406	-	-	3,406
Geological	-	-	12,130	-	-	12,130
Lab work	-	-	38,400	-	-	38,400
Metallurgy	-	-	16,458	-	-	16,458
Travel & accommodation	-	-	9,921	-	-	9,921
Total at January 31, 2021	-	-	**137,082**	-	-	137,082

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. During the year ended July 31, 2019 the Company completed its requirements to own 100% interest in the project.

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"). The Company has completed the requirements as per the agreement and owns a 90% interest in the Driftwood Property.

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.

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 entered into an option agreement on December 15, 2015 to acquire up to a 100% interest in the Wonah mineral claims (the "Wonah"). During the year ended July 31, 2018 the Company completed the requirements as per the Wonah agreement and owns 100% interest in Wonah.

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. The Company has completed its requirements per the Alberta Lithium Agreement and owns a 100% undivided interest in the claims.

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.

REN Mineral Claims

On August 2, 2017 the Company entered into an agreement to acquire a 90% interest in the REN Mineral Claims ("REN") located in the northern Monashee Mountains of Southeastern British

Columbia. As per the terms of the agreement the Company can acquire a 90% interest by completing the following:

- Incur exploration and development expenses of $200,000 within two years (incurred)
- Cash payments of $33,333.
- Issuance of 600,000 common shares of the Company over the next two years (200,000 issued on August 2, 2017 and fair valued at $192,000, 200,000 issued on August 10, 2018 and fair valued at $178,000)
- The Company can purchase the remaining 10% interest in the REN property for $200,000 cash at any time.

Gibraltar Claims

On May 17, 2018 the Company acquired the Gibraltar Silicon Claims (“Gibraltar Claims”) located northeast of Cranbrook BC. As per the terms of the acquisition agreement the Company acquired a 100% interest in the Gibraltar Claims by issuing 100,000 common shares of the Company, issued on May 17, 2018 and fair valued at $101,000. 50,000 of the common shares were issued to a Director of the Company.

Kibby Basin

On July 12, 2018, the Company entered into an option agreement with Belmont Resources Inc. to acquire a 25% interest in the Kibby Basin Property (“Kibby”) located in Nevada, the Company must incur exploration expense of $300,000 no later than October 2018 (incurred). There were no acquisition costs capitalized related to this property as at July 31, 2019. The Company earned a 25% interest in the Kibby during the year ended July 31, 2019.

Tillicum Gold

On May 5, 2020, the Company announced an agreement to purchase a 100% interest in the Heino-Money Gold deposit and Tillicum Claims in the West Kootenay region of British Columbia (the “Tillicum Agreement”). By issuing shares and cash totalling $5,000,000 and completing a work program of $1,050,000 over a three-year term, MGX will acquire a 100% interest in the property. The property will be subject to a Net Smelter Return royalty of 5% which may purchased for $1,000,000. The Company can acquire a 90% interest by completing the following:

- $25,000 cash within 14 days of execution of agreement (Paid);
- $50,000 prior to July 15, 2020 (Paid)
- $100,000 prior to each of the following October 1, 2020 (paid), January 1, 2021 and March 1, 2021;
- $125,000 prior to October 1, 2021 and $125,000 prior to each three month period thereafter ending on May 1, 2024.
- 2,000,000 commons shares within 14 days of execution of agreement (issued and fair valued at $90,000);
- 2,000,000 common shares prior to October 1, 2020 (issued on November 30, 2020 and fair valued at $110,000) and 2,000,000 prior to each 6 month period thereafter ending on October 1, 2023
- 4,000,000 common shares prior to May 1, 2024.

The remaining 10% can be acquired for a cash payment of $1,000,000 at any time.

On May 15, 2020 the Company announced it had entered into an agreement to acquire files relating to the Tillicum Claim, including spreadsheets of all data, drill holes, assays, surveys, underground workings and assays, trenches, topography, geology and 3D model, as well as sections and plans through the deposit and original scans of documents. The Company will pay $42,500 consisting of $7,500 in cash and 500,000 common shares of the Company.

(Unaudited - expressed in Canadian dollars)

6. LOAN RECEIVABLE

On June 30, 2018 the Company entered into a loan agreement (the "Loan Agreement") with Zinc8 Energy Solutions Inc., which was at the time a wholly-owned subsidiary of the Company. As at June 30, 2018 the Company had advanced $2,952,222 to Zinc8, these amounts were due on demand and non-interest bearing. The Loan Agreement replaced the existing advances payable with a long-term loan receivable bearing interest at 12% per annum, and due on December 31, 2020. Additional advances by the Company are under the same terms as the Loan Agreement. The loan receivable was previously eliminated on consolidation.

On April 4, 2020 the Company agreed to a debt settlement (the "Settlement") with Zinc8 to settle the balance owing of $5,236,152 for $1,500,000. As per the terms of the debt settlement the Company recorded a loss on debt settlement of $3,736,152. As part of the debt settlement the Company agreed to dispose of a portion of its Zinc8 shares as per Note 11. During the year ended July 31, 2020 the Company received $880,000.

The balance of the loan at January 31, 2021 is as follows:

	$
Balance, July 31, 2019	**4,927,977**
Advances	5,500
Interest	302,675
Settlement	(3,736,152)
Repayment	(880,000)
Balance, July 31, 2020	**620,000**
Repayment	(620,000)
Balance, January 31, 2021	**-**

7. EQUIPMENT

	Furnace $	Right of use asset $	Vehicles $	Total $
Cost:				
Balance, July 31, 2020 and January 31, 2021	**11,426**	**46,491**	**59,774**	**117,691**
Accumulated Depreciation:				
Balance, July 31, 2020	**6,166**	**8,717**	**23,912**	**38,795**
Amortization	571	5,811	5,978	12,360
Balance, January 31, 2021	**6,737**	**14,528**	**29,890**	**51,155**
Net Book Value:				
July 31, 2020	**5,260**	**37,774**	**35,862**	**78,896**
January 31, 2021	**4,689**	**31,963**	**29,884**	**66,536**

During the year ended July 31, 2019 the Company acquired an extraction unit from PurLucid for $750,000 which is not in use. During the year ended July 31, 2020 the Company transported the unit to be deployed at the Eureka site, the unit was temporarily deployed at the site.

Additional equipment of $3,576,004 is held with PurLucid. This equipment consists of water filtration units that are being tested and not fit for use as at January 31, 2021.

8. INVESTMENT IN PURLUCID

On November 8, 2016, the Company entered into a definitive agreement (the "Agreement") to acquire up to 100% of PurLucid Treatment Solutions (Canada) Inc. ("PurLucid"). PurLucid is a water and wastewater treatment service company that would work with MGX to further develop the Company's lithium assets. During the year ended July 31, 2018 the Company completed the final phase of the Agreement and increased its ownership of PurLucid to 55.13%. The Company has a 10-year option period to acquire the remaining outstanding shares of PurLucid.

On November 15, 2018, the Company issued 1,199,198 commons shares, fair valued at $803,463 to acquire an additional 5% of PurLucid, increasing the Company's total ownership to 60.13%.

On March 23, 2020, the CEO of PurLucid claimed to have cancelled the lithium extraction technology agreement with MGX and as such MGX advised the CEO he was in gross breach of duty. On May 19, 2020, the former CEO agreed to resign from his position as CEO of PurLucid and dropped all legal claims against the Company.

9. ZINC8 ENERGY SOLUTIONS ("Zinc8")

On December 19, 2017 the Company announced it had entered into a definitive agreement to acquire Zinc8 Energy Solutions. Pursuant to the definitive agreement the Company made a one-time cash payment of $250,000 and issued 4,784,258 common shares fair valued at $4,784,258. Zinc8 is a development stage company specializing in the development of zinc air batteries and modular energy storage systems. On June 26, 2019 the Company completed a spin-out transaction whereby MGX distributed 11,991,761 common shares of Zinc8 as a return of capital reducing its interest in Zinc8 from 100% to 46.4%.

Upon completion of the Spinout MGX settled $420,000 of debt in exchange for 3,111,110 shares of Zinc8, the shares were fair valued at $420,000 so no gain on debt settlement was recorded. The Company also sold 300,000 shares for proceeds of $43,680. As at July 31, 2019 the Company held 14,597,129 shares of Zinc8 representing 37.63% of all outstanding shares of Zinc8.

On April 4, 2020 the Company agreed to sell 5,500,000 shares of Zinc8, to a third party, as part of the Settlement for proceeds of $550,000, of which $519,207 was received and $30,793 is still receivable, as part of the Settlement the Company agreed to deposit a portion of it shareholdings in Zinc8 in escrow. Upon completion of the Settlement the Company held 7,616,629 shares of Zinc8. As a result of the settlement and dilution of its holdings in Zinc8 the Company's ownership percentage decreased to less than 10% and the Company no longer maintains significant influence in Zinc8s operations and therefore will not account for its investment using the equity method. The Company has recorded the remainder of its investment in Zinc8 as a fair value through profit or loss financial instrument.

During the period ended January 31, 2021 the Company sold 2,915,486 shares of Zinc8 for proceeds of $656,787. As at January 31, 2021 the Company held 4,701,143 shares of Zinc8 and they were fair valued at $3,196,777. As at January 31, 2021 the shares of Zinc8 were held in escrow.

(Unaudited - expressed in Canadian dollars)

The balance of the Company's investment in Zinc8 is as follows:

	$
Balance, as at July 31, 2019	**3,063,778**
Sale of shares for proceeds	(807,811)
Loss on equity investment	(1,058,608)
Fair value gain on investment	668,715
Balance, as at July 31, 2020	**1,866,074**
Sale of shares for proceeds	(656,788)
Fair value gain on investment	1,987,491
Balance, as at January 31, 2021	**3,196,777**

10. SHORT-TERM LOAN PAYABLE

As at January 31, 2021, the Company had loans payable of $648,481 (July 31, 2020 - $648,481) through PurLucid, all of which are due on demand with interest of 0% to 14% per annum. During the period ended January 31, 2021 the Company received $108,001 in advances that are due on demand.

11. LONG-TERM LOAN PAYABLE

During the year ended July 31, 2018, PurLucid purchased a vehicle through a loan for $59,966. The loan matures on March 8, 2021, is interest free with principal repayments of $769 due bi-weekly. The current portion is immaterial to be reclassified as current liability on a consolidated statement of financial position as at January 31, 2021. As at January 31, 2021 $34,628 (2019 - $34,629) remains outstanding.

On June 13, 2020 the Company entered into a forbearance agreement (the "Forbearance Agreement") with DBE Hytec Ltd. ("DBE") the principal supplier of PurLucid's wastewater treatment equipment. As at June 1, 2020, in consideration for the equipment provided to PurLucid during the year ended July 31, 2020, PurLucid owed DBE $2,947,077 and was in default of its agreement with DBE for the purchase of the wastewater equipment. In consideration for PurLucid entering into the Forbearance Agreement DBE agreed to reduced the indebtedness to $1,525,706 and in the event PurLucid was able to sell the water treatment systems prior to the expiry of the Forbearance Agreement or use each system to treat wastewater the indebtedness would be forgiven.

As per the Forbearance Agreement, PurLucid paid $300,000 during the six months ended January 31, 2021 and agreed to pay the following:

1) Up to 50% of any Scientific Research and Experimental Development ("SRED") claim funds for PurLucids fiscal year ending June 30, 2019 up to a maximum of $400,000;
2) 50% of SRED claims for the fiscal year ending June 30, 2020 up to a maximum of $300,000;
3) 100% of holdbacks from the Sustainable Development and Technology Canada ("SDTC") and Emissions Reduction Alberta ("ERA") grant funds; and
4) To reduce the balance owing to $nil by May 31, 2022.

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Financings

During the six months ended January 31, 2021 the Company issued 9,416,755 common shares fair valued at $638,455 to settle debt of $582,222 and recorded a loss on debt settlement of $56,233.

(Unaudited - expressed in Canadian dollars)

On November 30, 2020 the Company issued 2,000,000 common shares fair valued at $110,000 pursuant to the Tillicum Agreement.

On January 7, 2021 the Company issued 500,000 common shares fair valued at $30,000 for the Tillicum data files.

c) Share purchase options

The balance of share purchase options outstanding and exercisable as at January 31, 2021 and July 31, 2020 and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, July 31, 2019	**12,625,000**	**0.74**	**0.74**
Expired	(1,700,000)	1.07	
Granted	8,240,000	0.13	
Balance, July 31, 2020	**19,165,000**	**0.45**	**1.16**
Expired	(500,000)	0.90	
Balance, January 31, 2021	**18,665,000**	**0.43**	**0.94**

As at January 31, 2021, the following share purchase options were outstanding and exercisable:

Expiry Date	Exercise price $	Remaining life (years)	Options outstanding
March 5, 2021	0.39	0.85	3,825,000
April 30, 2021	0.89	1.00	4,100,000
August 31, 2021	0.80	1.34	1,000,000
September 12, 2021	0.24	1.37	200,000
October 23, 2021	0.72	1.48	1,500,000
February 2, 2022	0.25	1.76	350,000
April 4, 2022	0.07	1.93	5,400,000
May 2, 2022	0.25	2.01	2,000,000
November 2, 2022	0.25	2.51	290,000
			18,665,000

Subsequent to January 31, 2021, 3,825,000 options expired unexercised.

(Unaudited - expressed in Canadian dollars)

d) Warrants

The balance of warrants outstanding and exercisable as at January 31, 2021 and July 31, 2020 and the changes for the periods then ended are as follows:

	Number of Warrants	Weighted average exercise price $
Balance, July 31, 2020	**28,999,654**	**1.06**
Expired	(10,316,200)	1.15
Balance, January 31, 2021	**18,683,454**	**1.01**

The following table summarizes the warrants outstanding as at January 31, 2021:

Warrants	Exercise Price	Expiry Date
#	$	
11,632,378	1.20	June 25, 2021
202,831	0.60	November 21, 2021
1,535,384	0.70	November 21, 2021
2,000,000	0.67	November 21, 2021
217,002	0.60	December 21, 2021
2,504,192	0.70	December 21, 2021
591,667	0.67	December 31, 2021
18,683,454	**1.01**	

e) Restricted Stock Units ("RSU")

On January 29, 2017 the Company entered into an agreement to issue 9,500,000 RSU's as compensation for a service agreement. Each RSU allows the holder to acquire one common share without par value of the Company. The grant date fair value of the RSU is $9,889,500 and is based on the market price of the Company' common shares at the effective date of January 29, 2017. The amount been recognized evenly over the vesting periods.

As at January 31, 2021, 9,500,000 RSU have vested and 2,200,000 have been exercised.

On May 16, 2018 Marc Bruner, Director and consultant at the time, filed a Petition against the Company in British Columbia Supreme Court seeking a declaration that the Company acted unfairly and in bad faith by not permitting shares to vest that he alleges were owed to him and an order to direct the Company to issue the shares and to compensate him for any losses that he may have suffered. The Company has reviewed the Petition and believes the claims are without merit. The Company intends to vigorously defend this matter and has filed a Response to the Petition which includes set-off claims against Mr. Bruner for his breaches of the consultancy agreement (the "Agreement"). In its response to the Petition, the Company also accepted Mr. Bruner's repudiation of the Agreement and as a result the Agreement is terminated.

e) Flow-through obligation

Flow-through share arrangements entitle the holder of the flow-through share to a 100% tax deduction in respect of qualifying Canadian exploration expenses as defined under the Income Act, Canada ("Qualifying CEE"). During the calendar year ending December 31, 2018, the Company received

(Unaudited - expressed in Canadian dollars)

$11,511,134 of flow-through share proceeds and renounced the full amounts at December 31, 2018. The Company was required to incur $11,511,134 of flow through expenditures by December 31, 2019, but did not meet that requirement and has recorded a Part XII.6 taxes of $1,256,051 during the year ended July 31, 2020. The Company has also recorded an additional $3,316,417 of flow-through indemnity expense relating to the tax loss incurred by subscribers.

During the year ended December 31, 2017 the Company raised $9,165,087 of flow-through funds and renounced the full amount at December 31, 2017. The Company was unable to meet its full flow-through requirements and had a shortfall of $4,081,384. The Company has recorded a Part XII.6 taxes of $509,109 during the year ended July 31, 2019. The Company has also recorded an additional $826,508 of flow-through indemnity expense relating to the tax loss incurred by subscribers.

13. 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 and six months ended January 31, 2021 and 2020:

	Three months ended January 31,		Six months ended January 31,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Management fees	-	69,000	110,500	138,000
Salaries	48,461	-	75,384	-
Geological fees	-	-	8,400	8,700
	48,461	69,000	194,284	146,700

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 January 31, 2021 the Company had $Nil (July 31, 2020 - $252,868) owing to related parties included in accounts payable, all of which is unsecured, non-interest bearing and due on demand. A total payable of $Nil (July 31, 2020 - $248,844) was owed to directors and officers of the Company and companies owned by them. A payable of $960 (2020 - $960) was owed to a company with common directors and a payable of $3,064 (2020 - $3,064) was owed to a former parent company. The amounts are non-interest bearing and due on demand.

As at January 31, 2021 the Company had $43,656 owing from a director and a Company with common directors and officers. The amounts receivable are due on demand and non-interest bearing and were in the normal course of operations.

14. LEASE OBLIGATION

On November 1, 2019, the Company entered into an office lease agreement and the Company recognized a lease obligation with respect to the lease. The discount rate of 12.5% was determined by the Company as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

(Unaudited - expressed in Canadian dollars)

The following is a schedule of the Company's future minimum lease payments related to the office lease obligation:

Fiscal year ending	**$**
2021	7,182
2022	14,663
2023	15,062
2024	3,791
Total minimum lease payments	40,698
Less: imputed interest	(5,812)
Total present value of minimum lease payments	34,886
Less: current portion	(11,067)
Non-current portion	23,819

15. SEGMENTED INFORMATION

The Company operates in two reportable operating segments, the first being the acquisition and exploration of mineral properties in Canada through the Company; the second being water treatment and mineral extraction of waster water through PurLucid.

As at January 31, 2021 and July 31, 2020 all of the Company's mineral properties were located in Canada.

The Company's income (loss) by operating segment for the six months ended January 31, 2021 is as follows:

	MGX Minerals Inc.	**PurLucid Treatment Solutions.**
	$	$
Income (loss) for the three months ended January 31, 2021	1,935,381	(5,978)
Income (loss) for the six months ended January 31, 2021	703,182	(8,563)
As at January 31, 2021		
Total assets	8,630,491	3,817,031
Total liabilities	10,887,592	4,674,819

During the six months ended January 31, 2021, PurLucid received $54,744 (2019 - $1,966,099) in provincial and federal grant revenue.

The Company's income (loss) by operating segment for the six months ended January 31, 2020 is as follows:

	MGX Minerals Inc.	**PurLucid Treatment Solutions.**
	$	$
(Loss) income for the period	(1,343,339)	488,456
Total assets	11,085,992	15,491,319
Total liabilities	5,923,061	1,680,023

16. NON-CONTROLLING INTEREST

The Company owns a 60% controlling interest in PurLucid and the remaining 40% held by various other parties is accounted for as a non-controlling interest.

17. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements as at January 31, 2021.

18. FINANCIAL INSTRUMENTS

Classification of financial instruments
The Company's financial instruments consist of cash, marketable securities, loan receivable, accounts payable and accrued liabilities, due to related parties, short-term loan payable and long-term loan payable. Marketable securities are designated as FVTPL, all other financial instruments are classified as amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign currency 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.

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 maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

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 January 31, 2021, the Company has a working capital deficit of $11,836,468 (2020 – working capital deficit of $12,020,471).

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.

19. CONTINGIENCES

On June 18, 2019 Blue Sun Productions filed a claim against the Company for unpaid invoices totalling amounts of $112,518 USD and $7,440 for services performed during the year ended July 31, 2019. The Company did not dispute the amounts owing and has recorded them in full as accounts payable and accrued liabilities on the consolidated statement of financial position as at July 31, 2020. A default judgement order was awarded to Blue Sun Production for the outstanding balance, interest calculated at 2% per annum up to November 28, 2019 and additional costs of $1,334. The full amount of interest and additional costs has been accrued for as at January 31, 2021.

On September 12, 2019 Lions Gate Risk Management Group Ltd. ("Lions Gate") filed a claim again the Company in the amount of $176,398 relating to security services provided to Jared Lazerson, the CEO of the Company. As at July 31, 2020 the Company had recorded the full $176,398 as accounts payable and accrued liabilities on the consolidated statement of financial position. The Company entered into a settlement agreement with Lions Gate whereby MGX will pay $10,000 in ten installments on the first of every month, commencing on December 1, 2020 for a total payment of $100,000.

During the year ended July 31, 2020 Randy Keller filed a claim against the Company for unpaid consulting fees in the amount of $157,500 USD, severance of $42,000 USD and expenses of $17,442. The Company's position is that Keller's work did not meet contractual standards, and in April 2019 Keller agreed to amend his consulting agreement such that his work and fees would be substantially reduced. No settlement has been made and the eventual outcome is not determinable. As at January 31, 2021 the Company has accrued $218,684 relating to the Randy Keller claim as accounts payable and accrued liabilities on the consolidated statement of financial position.

The Company went to arbitration with Dawson Geophysics Inc. ("Dawson") regarding a planned geophysics program for a Utah petrolithium project that was never executed. Dawson claimed approximately $183,728 USD in preparation costs and requests additional amounts for additional preparation and lost opportunity because the project was never completed. MGX claimed it was not the operator and therefore not responsible. During the year ended July 31, 2020 an arbitration award in favour of Dawson was awarded as follows:

- Unpaid invoices - $183,729 USD
- 5% Surcharge of $9,186 USD
- Lost profits of $580,511 USD
- Total sum of $773,426 USD.

MGX plans to appeal the decision and failing that, will commence litigation against the operator of the Utah Petrolithium property. As at January 31, 2021 the Company has recorded the total amount as accounts payable, the $580,511 of lost profits and 5% surcharge of $9,186 were recorded as a loss on debt settlement.

On May 21, 2020, Fasken Martineau DuMoullin LLP ("Fasken") filed a claim against the Company for unpaid invoices totalling $797,323. The Company did not dispute the amounts owing and has recorded them in full as accounts payable and accrued liabilities on the consolidated statement of financial position as at July 31, 2020. Fasken is also claiming post-judgement interest at the contractual rate of 18%, any and all Goods and Services Tax payable on all judgement amounts, and costs, costs of proceedings on a solicitor and own client basis or such basis which may be directed by the Honourable Court and such further rand other relief as the Honorable Court sees fit.