MGX MINERALS INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2017 and 2016

(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	January 31, 2017	July 31, 2016
		$	$
Assets			
Current Assets			
Cash		679,541	31,206
Prepaid		190,510	132,276
GST receivables		79,104	74,314
		949,155	237,796
Non-Current Assets			
Deferred financing cost		-	16,688
Equipment	**6**	12,843	9,831
Investment in PurLucid	**7**	90,000	-
Mineral properties	**5**	1,914,462	1,254,462
Reclamation bond		16,000	16,000
		2,033,305	1,296,981
Total Assets		2,982,460	1,534,777
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**8**	406,109	541,081
Due to related parties	**10**	31,221	86,663
		437,330	627,744
Shareholders' Equity			
Share capital	**9**	7,341,958	3,938,882
Reserve	**9**	2,196,940	813,712
Deficit		(6,993,768)	(3,845,561)
		2,545,130	907,033
Total Liabilities and Shareholders' Equity		2,982,460	1,534,777

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 12)

Approved by the Board of Directors on March 31, 2017:

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

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended January 31, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

		Three months ended January 31,		Six months ended January 31,	
	Notes	**2017**	**2016**	**2017**	**2016**
		$	**$**	**$**	**$**
Exploration expenses	**5,10**	219,276	136,797	473,184	296,208
Administrative Expenses					
Advertising and promotion		380,415	72,394	514,003	101,427
Consulting fees		90,206	108,429	270,602	151,471
Depreciation	**6**	354	286	640	571
Office and administrative		57,229	12,451	65,672	15,004
Interest and bank charges		1,212	924	2,043	1,976
Management fees	**10**	33,000	33,000	66,000	66,000
Professional fees		102,269	42,220	155,467	72,397
Share-based compensation	**9**	1,534,532	-	1,534,532	188,112
Transfer agent and filing fees		31,858	9,833	55,126	14,143
Travel and entertainment		29,993	67	34,547	1,567
		2,261,068	279,604	2,698,632	612,668
Loss before other (expenses) income		(2,480,344)	(416,401)	(3,171,816)	(908,876)
Other (expenses) income					
Debt settlement (loss)/gain	**8,9**	(12,016)	(22,750)	24,086	(39,750)
Foreign exchange loss		281	-	(477)	(747)
		(11,735)	(22,750)	23,609	(40,497)
Loss and comprehensive loss for the period		(2,492,079)	(439,151)	(3,148,207)	(949,373)
Loss per share, basic and diluted		(0.05)	(0.01)	(0.06)	(0.03)
Weighted average number of shares outstanding		53,939,645	30,777,728	52,009,854	30,496,074

MGX Minerals Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended January 31, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

	Common Shares	Share Capital	Reserve*	Subscription received	Deficit	Total
	#	$	$	$	$	$
Balance, July 31, 2015	**29,641,476**	**1,812,465**	**407,007**	**24,100**	**(1,532,617)**	**710,955**
Shares issued pursuant to private placements	897,463	367,575	-	(24,100)	-	343,475
Issue costs	-	(6,155)	-	-	-	(6,155)
Warrant valuation	-	(146,578)	146,578	-	-	-
Flow-through premium	-	(5,639)	-	-	-	(5,639)
Shares issued for debt settlement	950,746	209,250	-	-	-	209,250
Share-based compensation	-	-	188,112	-	-	188,112
Loss for the period	-	-	-	-	(949,373)	(949,373)
Balance, January 31, 2016	**31,489,685**	**2,230,918**	**741,697**	**-**	**(2,481,990)**	**490,625**
Shares issued pursuant to private placements	6,150,000	615,000	-	-	-	615,000
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	2,680,000	656,600	-	-	-	656,600
Transfer value on option exercise	-	8,117	(8,117)	-	-	-
Share-based compensation	-	-	226,710	-	-	226,710
Loss for the period	-	-	-	-	(1,363,571)	(1,363,571)
Balance, July 31, 2016	**41,753,017**	**3,938,882**	**813,712**	**-**	**(3,845,561)**	**907,033**
Shares issued pursuant to private placements	10,062,728	1,811,291	-	-	-	1,811,291
Issue costs	-	(205,148)	-	-	-	(205,148)
Finders units	-	(159,820)	159,820	-	-	-
Shares issued pursuant to acquisition of mineral properties	2,500,000	620,000	-	-	-	620,000
Shares issued for debt settlement	872,921	196,450	-	-	-	196,450
Shares issued in lieu of consulting fees	154,583	25,872	-	-	-	25,872
Shares issued pursuant to floatation plant agreement	300,000	51,000	-	-	-	51,000
Share-based payments	-	-	1,534,532			1,534,532
Warrant exercise	2,855,210	508,057	-	-	-	508,057
Option exercise	1,375,000	244,250	-	-	-	244,250
Transfer value on option and warrant exercise	-	311,124	(311,124)	-	-	-
Loss for the period	-	-	-	-	(3,148,207)	(3,148,207)
Balance, January 31, 2017	**59,873,459**	**7,341,958**	**2,196,940**	**-**	**(6,993,768)**	**2,545,130**

***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 six months ended January 31, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

	2017	2016
	$	$
Cash provided by (used in):		
Operating activities		
Loss for the period	(3,148,207)	(949,373)
Items not affecting cash:		
Depreciation	640	571
Loss (gain) on debt settlement	(24,086)	39,750
Accrued interest on loan	-	1,200
Shares issued in lieu of fees	25,872	-
Share-based compensation	1,534,532	188,112
Changes in non-cash working capital items:		
Prepaid expense	(7,233)	(91,587)
GST receivable	(4,790)	(29,737)
Accounts payable and accrued liabilities	90,288	298,026
Due to related parties	(60,167)	69,044
Net cash used in operating activities	(1,593,151)	(473,994)
Investing activities		
Investment in PurLucid	(90,000)	-
Purchase of equipment	(3,652)	-
Property acquisition costs	(40,000)	-
Reclamation bonds	-	(3,000)
Net cash used in investing activities	(133,652)	(3,000)
Financing activities		
Proceeds from private placements	1,811,291	348,475
Issue costs	(188,460)	(6,155)
Proceeds from exercise of options	244,250	-
Proceeds from exercise of warrants	508,057	-
Net cash provided by financing activities	2,375,138	342,320
Change in cash for the period	648,335	(139,674)
Cash, beginning of period	31,206	142,934
Cash, end of period	679,541	3,260
Significant non-cash financing and investing activities	**$**	**$**
Shares issued for debt settlement	196,450	950,746
Shares issued for mineral property acquisition	620,000	-
Supplemental information	**$**	**$**
Interest paid	-	-
Taxes paid	-	-

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

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 January 31, 2017, the Company has not generated any revenues from operations and has an accumulated deficit of $6,993,768 (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.

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:

(Unaudited - expressed in Canadian dollars)

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.

5. MINERAL PROPERTIES

The following table summarizes the Company's mineral property assets as at July 31, 2016, and January 31, 2017 and the changes for the periods then ended, and exploration expenditures for the six months ended January 31, 2017.

	Driftwood	Fran	Lithium Projects	Silica Projects	Prospects, & Others	Total
	$	$	$	$	$	$
Deferred costs						
Balance, July 31, 2015	**146,231**	**414,429**	**-**	**364,000**	**1,469**	**926,129**
Paid in cash	-	-	40,000	-	-	40,000
Cash amounts payable[1]	30,000	-	-	-	-	30,000
Paid by issue of shares	54,000	-	193,333	-	11,000	258,333
Balance July 31, 2016	**230,231**	**414,429**	**233,333**	**364,000**	**12,469**	**1,254,462**
Paid in cash	-	-	40,000	-	-	40,000
Paid by issue of shares	-	-	620,000	-	-	620,000
Balance January 31, 2017	**230,231**	**414,429**	**893,333**	**364,000**	**12,469**	**1,914,462**
Exploration expenditures						
Assays	-	-	19,117	-	-	19,117
Consulting	46,266	-	64,393	-	-	110,659
Drilling	106,500	-	-	-	-	106,500
Engineering	-	-	77,640	-	-	77,640
Excavation	20,335	-	-	-	-	20,335
Freight	15,669	-	-	-	-	15,669
Geological	51,693	6,528	89,056	437	800	148,514
Miscellaneous	7,422	218	5,090	1,560	422	14,712
Travel & accommodation	1,152	1,000	1,984	-	-	4,136
METC refund	(44,098)	-	-	-	-	(44,098)
Total at January 31, 2017	**204,939**	**7,746**	**257,280**	**1,997**	**1,222**	**473,184**

[1]The amounts were paid during the six months ended January 31, 2017.

(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.

	Cumulative Exploration Expenditures $	Common Shares #	Cash Payments $
Upon closing of the plan of arrangement	-	24,823,310 (issued)	-
On or before March 31, 2014	-	54,000 (issued)	-
On or before September 30, 2014	25,000 (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 six months ended January 31, 2017, the Company issued 300,000 common shares fair valued at $51,000 for use of a floatation plant for 6 months. The floatation plant is not yet in use. The Company received a $44,098 Mineral Exploration Tax Credit ("METC") during the period ended January 31, 2017 relating to exploration work.

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.

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 (issued and fair valued at $280,000) 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:

(Unaudited - expressed in Canadian dollars)

- 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.

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 six months ended January 31, 2017.

6. EQUIPMENT

	Furnace	Equipment	Total
Cost:			
Balance, July 31, 2015 and July 31, 2016	11,426	-	11,426
Additions	-	3,652	3,652
Balance, January 31, 2017	**11,426**	**3,652**	**15,078**
Accumulated Depreciation:			
Balance, July 31, 2016	1,595	-	1,595
Depreciation	571	69	640
Balance January 31, 2017	**2,166**	**69**	**2,235**
Net Book Value:			
July 31, 2016	**9,831**	**-**	**9,831**
January 31, 2017	**9,260**	**3,583**	**12,843**

7. INVESTMENT IN PURLUCID

On November 14, 2016 the Company entered into a definitive agreement (the "Agreement") to acquire up to 100% of PurLucid. PurLucid is a water and wastewater treatment service company that would work with MGX to further develop the Company's lithium assets. PurLucid would use its technology to convert waste water to concentrated lithium brine that the Company would process through its rapid lithium brine production process.

As per the terms of the Agreement the Company can initially acquire a 50% interest through the following phases of investment:

- Phase 1 - $50,000 (paid)
- Phase 2 - $40,000 (paid)
- Phase 3 - Project development expenses up to $80,000 and cash payments between $450,000 and $950,000. Upon completion of Phase 3 the Company would earn a 25% interest in PurLucid. The Company will also have the option to acquire an additional 5% in exchange for 1,000,000 common shares of MGX
- Phase 4 - Cash payments between $1,000,000 and $2,000,000, upon completion the Company would earn an additional 15% interest in PurLucid, and increase its total interest to 40%. The Company will also have the option to acquire an additional 5% in exchange for 1,000,000 common shares of MGX
- Phase 5 - Cash payments between $1,000,000 and $2,000,000, upon completion the Company would earn an additional 10% interest in PurLucid and increase its total interest to 50%. The Company will also have the option to acquire an additional 5% in exchange for 1,000,000 common shares of MGX

Upon completion of Phase 5 the Company will have the right for a 10 year period to acquire all of the remaining outstanding shares of PurLucid subject to the terms of a shareholder agreement.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at January 31, 2017 the Company has accounts payable and accrued liabilities of $406,109 (July 31, 2016 - $541,081) consisting solely of trade payables. During the six months ended January 31, 2017 the Company negotiated debt settlements with multiple vendors resulting in a gain on debt settlement of $21,895. The Company settled additional debts of $198,641 through the issuance of 872,921 common shares resulting in a gain on debt settlement of $2,191(note 9).

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Financings

Financings during the six months ended January 31, 2017 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.
- 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 related to a mineral property acquisition (note 5).
- 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.
- On November 8, 2016, the Company issued 40,695 common shares in lieu of consulting fees; the shares were fair valued at $6,511.
- On November 8, 2016 the Company issued 111,111 common shares to settle debt of $20,000. The shares were fair valued at $17,778 and the Company recorded a gain on debt settlement of $2,222.
- On January 26, 2017 the Company issued 141,046 common shares to settle debt of $58,904. The shares were fair valued at $73,142 and the Company recorded a loss on debt settlement of $14,238.

c) Share purchase options

The balance of share purchase options outstanding and exercisable as at January 31, 2017 and July 31, 2016 and the changes for the periods then ended is as follows:

(Unaudited - expressed in Canadian dollars)

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (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**
Granted	2,835,000	1.00	
Exercised	(1,375,000)	0.18	
Expired	(200,000)	0.58	
Balance, January 31, 2017	**5,235,000**	**0.71**	**1.67**

The Company recorded share based compensation expense of $1,534,532 during the six months ended January 31, 2017 (January 31, 2016 - $188,112) as the Company granted 2,835,000 options, vesting immediately, to directors, management and consultants of the Company. The Company granted 500,000 options during the six months ended January 31, 2016. The Company fair valued the options using the black-scholes model using the following inputs

	2017	2016
Risk-free rate	0.79%	0.54%
Expected life of options	2	2
Annualized Volatility	104%	146%
Dividend rate	Nil	Nil
Forfeiture rate	Nil	Nil

As at January 31, 2017, the following share purchase options were outstanding and exercisable:

Outstanding	Exercise Price	Expiry Date
150,000	$0.60	October 1, 2017
975,000	$0.40	May 5, 2018
275,000	$0.10	June 18, 2018
1,000,000	$0.35	June 29, 2018
2,835,000	$1.00	January 24, 2019
5,235,000	**$0.71**	

Subsequent to January 31, 2017 150,000 options, at $0.60 per option, were exercised for proceeds of 90,000 (note 12).

(Unaudited - expressed in Canadian dollars)

d) Warrants

The balance of warrants outstanding and exercisable as at January 31, 2017 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	(2,855,210)	0.18
Issued	7,054,303	0.20
Balance January 31, 2017	**10,419,391**	**0.17**

The following table summarizes the warrants outstanding as at January 31, 2017:

Warrants	Exercise Price	Expiry Date
#	$	
35,149	0.30	July 21, 2017
5,300,000	0.15	May 4, 2018
4,861,303	0.20	September 21, 2018
222,939	0.18	September 21, 2018
10,419,391	**0.17**	

Subsequent to January 31, 2017 1,362,963 warrants were exercised for proceeds of $266,649 (note 12).

(Unaudited - expressed in Canadian dollars)

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 RSU vest over two years and match the length of the service agreement. The vesting dates are as follows

# of RSU	Vesting Date
1,425,000	May 1, 2017
1,425,000	August 1, 2017
1,650,000	November 1, 2017
1,650,000	February 1, 2018
1,675,000	May 1, 2018
1,675,000	August 1, 2018
9,500,000	

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 will be recognized evenly over the vesting periods.

10. 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, 2017 and 2016:

	Three months ended January 31,		Six months ended January 31,	
	2017	**2016**	**2017**	**2016**
			$	**$**
Management fees	33,000	33,000	66,000	66,000
Geological fees	-	2,450	13,900	18,450
Share-based payments	1,041,966	-	1,041,966	-
	1,074,966	35,450	1,121,866	84,450

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, 2017, the Company had $31,221 (July 31, 2016 - $86,663) owing to related parties, all of which is unsecured, non-interest bearing and due on demand. A total payable of $20,902 (July 31, 2016 - $82,639) was owed to directors and officers of the Company and companies owned by them. A payable of $960 (2016 - $960) was owed to a company with common directors and a payable of $3,064 (2016 - $3,064) was owed to a former parent company.

11. 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.

12. SUBSEQUENT EVENTS

- On February 3, 2017 the Company announced it had entered into an agreement to acquire Lisbon Valley Petro Lithium Project ("Lisbon Valley") in Utah. As per the agreement the Company will make cash payments of $100,000 and issue 200,000 common shares (issued March 3, 2017).
- On February 22, 2017 the Company announced it had entered into an Earn-In agreement with Scientific Metals to acquire interest in the Paradox Basin Lithium Brine Property ("Paradox Basin"). As per the agreement the Company can acquire a 50% interest by making cash payments of $50,000, issuing 150,000 common shares of the Company, issued March 17, 2017, and incurring minimum exploration of no less than $250,000 over a 12 month period from the date of execution.
- On March 3, 2017 the Company granted 200,000 stock options to a consultant of the Company. The options have an exercise price of $1.25 per option and expire on March 3, 2020. The options have the following vesting conditions: 25% on grant date, 25% three months after date of grant, 25% six months after date of grant and 25% nine months after date of grant.
- On March 21, 2017 the Company granted 100,000 stock options, vesting immediately, to a consultant of the Company. The options have an exercise price of $1.42 and expire on March 21, 2019.
- On March 23, 2017 the Company entered into a joint operating agreement to act as operator and acquire a 75% working interest in certain Oil and Gas Leases ("Leases") located contiguous to the Company's Lisbon Valley project. As per the agreement the Company can earn a 75% interest by making cash payment of $2,000,000 USD on or before September 1, 2018. The Company can accelerate payments and issue consideration totalling $1,700,000 USD on or before September 1, 2017, in which case additional payments will be waived.
- Subsequent to January 31, 2017, 150,000 stock options at $0.60 per option were exercised for proceeds of $90,000.
- Subsequent to January 31, 2017, 1,004,875 warrants at $0.20 per warrant; 35,149 warrants at $0.30 per warrant; 100,000 warrants at $0.15 per warrant; and 222,939 warrants at $0.18 per warrant were exercised for proceeds of $266,649.