# MGX MINERALS INC.

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## MANAGEMENT DISCUSSION AND ANALYSIS
## FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2017

The following Management's Discussion and Analysis ("MD&A"), prepared as of April 3, 2017, should be read in conjunction with the unaudited condensed interim consolidated financial statements of MGX Minerals Inc. ("MGX" or "the Company") for the three and six months ended January 31, 2017, 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

### FORWARD-LOOKING STATEMENTS

The Company's condensed interim consolidated financial statements for the three and six months ended January 31, 2017, 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 April 3, 2017.

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.

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 six months ended January 31, 2017 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 incurred $205,148 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.
- On November 14, 2016 the Company announced it had entered into a definitive agreement to acquire up to 100% of PurLucid.
- On January 30, 2017 the Company appointed Marc Bruner as Chairman and head of US acquisitions of Petro Lithium.

## DISCUSSION OF OPERATIONS

### Six months ended January 31, 2017

The Company recorded a net loss of $3,148,207 ($0.06 per share) for the six months ended January 31, 2017 as compared to a loss of $949,373 ($0.03 per share) for the six months ended January 31, 2016.

The increase in loss for the six months ended January 31, 2017 is due to the following:

- Exploration expense of $473,184 (2016 - $296,208) 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 $514,003 (2016 - $101,427) of advertising and promotion expenses during the six months ended January 31, 2017. 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 $1,534,532 (2016 - $188,112) during the six months ended January 31, 2017 as the Company granted 2,835,000 options to directors and consultants of the Company.
- Professional fees of $155,467 (2016 - $72,397) increased as the Company finalized a definitive agreement with PurLucid.
- Consulting fees of $270,602 (2016 - $151,471) increased as the Company has increased its presence in the lithium exploration market.

### Three months ended January 31, 2017

The Company recorded a net loss of $2,492,079 ($0.05 per share) for three months ended January 31, 2017 compared to a loss of $439,151 (0.01 per share) for the three months ended January 31, 2016.

The increase in loss for the three months ended January 31, 2017 is due to the following:

- Exploration expense of $219,276 (2016 - $136,797) 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 $380,415 (2016 - $72,394) of advertising and promotion expenses during the three months ended January 31, 2017. 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 $1,534,532 (2016 - $nil) during the three months ended January 31, 2017 as the Company granted 2,835,000 options to directors and consultants of the Company.
- Professional fees of $102,269 (2016 - $42,220) increased as the Company finalized a definitive agreement with PurLucid.

**SUMMARY OF QUARTERLY RESULTS**

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

| | Three Months Ended ($) | | | |
|---|---|---|---|---|
| | **January 31, 2017** | **October 31, 2016** | **July 31, 2016** | **April 30, 2016** |
| Loss and comprehensive loss | (2,492,079) | (656,128) | (1,157,428) | (206,143) |
| Basic and diluted loss per share* | (0.05) | (0.01) | (0.03) | (0.01) |
| Total assets | 2,982,460 | 2,719,081 | 1,534,777 | 1,708,113 |
| Working capital (deficit) | 511,825 | 679,170 | (389,948) | (128,694) |

| | Three Months Ended ($) | | | |
|---|---|---|---|---|
| | **January 31, 2016** | **October 31, 2015** | **July 31, 2015** | **April 30, 2015** |
| Loss and comprehensive loss | (439,151) | (510,222) | (854,748) | (52,402) |
| Basic and diluted loss per share* | (0.01) | (0.02) | (0.03) | (0.01) |
| Total assets | 1,169,143 | 1,181,357 | 1,185,064 | 653,634 |
| Working capital | (430,507) | (159,492) | (208,948) | 117,385 |

* 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 increase in net loss for the period ended January 31, 2017 is related primarily to share based payments expense of $1,534,532.

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

**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.

## MINERAL PROPERTIES

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

| | Driftwood | Fran | Lithium Projects | Silica Projects | Prospects | 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 | 14,7122 |
| 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** |

### ***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.

***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 six months ended January 31, 2017, 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. On December 5, 2016 the Company completed its Phase III drill program on 16 holes totaling 1,212 metres. Significant intercepts from the drill program showed grades ranging from 41.6% to 43.8 at intercepts of 46.5 to 120 metres.

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*** (*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 7, 2016, the Company filed a NI 43-101 technical report for the property.

***Koot Silica Property*** *(British Colombia)*

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 (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 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 currently holds 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).

During the six months ended January 31, 2017 the Company worked with PurLucid to continue development and testing work on its lithium properties. The Company was able to successfully extract lithium from oil wastewater at its Albert Lithium property. Initial heavy oil evaporator blowdown wastewater (“EBD”) had a Li concentrate of 87mg/l and final recovery of Li was 34.8mg/l or 40% while 21% of the total Li remained in the final brine and has a high probability of recover by further reaction or during a second pass.

***Prospects***

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

## OUTSTANDING SHARE DATA

Authorized: Unlimited common shares without par value

All share information is reported as of April 3, 2017, in the following table:

| Type of Security | Number | Exercise Price ($) | Expiry Date |
|---|---|---|---|
| Issued and outstanding common shares | 61,740,287 | N/A | N/A |
| Stock options | 275,000 | 0.10 | June 18, 2018 |
| Stock options | 1,000,000 | 0.35 | June 29, 2018 |
| Stock options | 975,000 | 0.40 | May 5, 2018 |
| Stock options | 2,835,000 | 1.00 | January 24, 2019 |
| Stock options | 100,000 | 1.42 | March 21, 2019 |
| Stock options | 200,000 | 1.25 | March 3, 2020 |
| Warrants | 5,200,000 | 0.15 | May 4, 2018 |
| Warrants | 3,967,897 | 0.20 | September 21, 2018 |
| Restricted Stock Units | 9,500,000 | N/A | N/A |
| Total | 85,493,184 | | |

## 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 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[1] | 33,000 | 33,000 | 66,000 | 66,000 |
| Geological fees[2] | - | 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 |

[1] Management fees consisted of fees from Jared Lazerson (CEO) and Michael Reimann (CFO)
[2] 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 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.

## LIQUIDITY AND CAPITAL RESOURCES

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

| **As at** | **January 31, 2017** | **July 31, 2016** |
|---|---|---|
| | **$** | **$** |
| Cash | 679,541 | 31,206 |
| Working capital (deficiency) | 511,825 | (389,948) |
| **For the period ended** | **January 31, 2017** | **January 31, 2016** |
| | **$** | $ |
| Cash used in operating activities | (1,593,151) | (473,994) |
| Cash used in investing activities | (133,652) | (3,000) |
| Cash provided by financing activities | 2,375,138 | 342,320 |
| Change in cash | 648,335 | (139,674) |

As at January 31, 2017, the Company had working capital of $511,825 (July 31, 2016 - deficit of $389,948), has not generated any revenue from operations and has an accumulated deficit of $6,993,768 (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 six months ended January 31, 2017 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 pursuant to a mineral property acquisition.
- On October 7, 2016, the Company issued 300,000 in consideration for a float plant rental for the Driftwood creek property.
- 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.

During the six months ended January 31, 2017 the Company received proceeds of $508,057 and $244,250 pursuant to the exercise of 2,855,210 warrants and 1,375,000 stock options respectively.

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.

## FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

| | January 31, 2017 | July 31, 2016 |
|---|---|---|
| | $ | $ |
| Loans and receivables: | | |
| Cash | 679,541 | 31,206 |
| | | |
| Financial liabilities, measured at amortized cost: | | |
| Accounts payable and accrued liabilities | 406,109 | 541,081 |
| Due to related parties | 31,221 | 86,663 |
| | 437,330 | 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 January 31, 2017, the Company has working capital of $511,825 (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.

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 and six months ended January 31, 2017, 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.

## 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 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 totaling $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.

## OTHER

Additional information relating to the Company's operations and activities can be found by visiting www.sedar.com and www.mgxminerals.com.