

MGX MINERALS INC.

Condensed Interim Consolidated Financial Statements
For the Three Months Ended October 31, 2018 and 2017
(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	October 31, 2018	July 31, 2018
		\$	\$
Assets			
Current Assets			
Cash		3,347,600	6,613,350
Prepaid		1,120,990	1,067,081
GST receivables		697,790	565,817
Marketable securities	6	309,828	624,440
		5,476,208	8,870,688
Non-Current Assets			
Equipment	8	3,307,812	3,112,458
Intangible assets	9	10,709,117	10,709,117
Intellectual property	10	4,950,134	4,950,134
Mineral properties	7	11,181,446	10,276,950
Reclamation bond		147,125	136,125
		30,295,634	29,184,784
Total Assets		35,771,842	38,055,472
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		3,434,117	2,150,299
Flow-through premium liability		272,160	272,160
Short-term loan payable	11	711,307	703,348
Due to related parties	14	697,310	68,354
		5,114,894	3,194,161
Deferred income tax liability		71,626	71,626
Long-term loan payable	12	48,431	53,044
Total liabilities		5,234,951	3,318,831
Shareholders' Equity			
Share capital	13	58,310,636	57,660,920
Reserve		16,457,047	15,320,242
Deficit		(49,101,192)	(43,140,525)
Equity attributable to shareholders		25,666,491	29,840,637
Non-controlling interest	16	4,870,400	4,896,004
Total equity		30,536,891	34,736,641
Total Liabilities and Shareholders' Equity		35,771,842	38,055,472

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved by the Board of Directors on December 28, 2018:

<i>"Jared Lazerson"</i>	<i>"Andris Kikuaka"</i>
_____ Jared Lazerson, Director	_____ Andris Kikuaka, Director

MGX Minerals Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

	Notes	2018 \$	2017 \$
Exploration expenses	Sch1	2,210,962	904,950
Administrative Expenses			
Advertising and promotion		2,760,966	793,983
Consulting fees		669,877	255,621
Amortization	8	18,852	788
Office and administrative		515,913	89,057
Management fees	14	66,000	1,687,283
Professional fees		117,903	157,939
Research and development		1,040,704	-
Salaries		206,492	-
Share-based compensation	13	1,136,805	754,572
Transfer agent and filing fees		13,202	13,225
Travel and entertainment		73,235	75,401
		6,619,949	3,827,869
Loss before other (expenses) income		(8,830,911)	(4,732,819)
Other (expenses) income			
Interest		(95,522)	-
Grant revenue	16	705,058	-
Gain on bargain purchase	9	2,612,500	-
Write-off of mineral property		-	(470)
Unrealized loss on marketable securities	6	(314,612)	-
Income/ (loss) on equity investment in PurLucid		-	(115,445)
Debt settlement (loss) gain		-	(18,687)
Foreign exchange loss		(62,784)	(20,483)
		2,844,640	(155,085)
Loss and comprehensive loss for the period		(5,986,271)	(4,887,904)
Loss and comprehensive loss for the period attributable:			
Shareholders of the Company		(5,960,667)	(4,887,904)
Non-controlling interest		(25,604)	-
Loss and comprehensive loss for the period		(5,986,271)	(4,887,904)
Loss per share, basic and diluted		(0.05)	(0.07)
Weighted average number of shares outstanding		125,052,571	74,574,583

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

MGX Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

	Common Shares	Share Capital	Reserve*	Subscription received	Deficit	NCI	Total
	#	\$	\$	\$	\$	\$	\$
Balance, July 31, 2017	68,617,018	14,310,995	8,822,638	4,994,343	(17,762,252)	-	10,365,724
Shares issued pursuant to special warrants financing	6,879,224	5,628,458	-	(4,994,343)	-	-	634,115
Finders warrants	-	(448,250)	448,250	-	-	-	-
Issue costs	-	(945,506)	-	-	-	-	(945,506)
Shares issued pursuant to debt settlement	174,093	174,699	-	-	-	-	174,699
Shares issued in lieu of fees	7,093	7,164	-	-	-	-	7,164
Shares issued pursuant to acquisition of mineral property	300,000	288,000	-	-	-	-	288,000
Shares issued pursuant to floatation plant	100,000	105,000	-	-	-	-	105,000
Restricted Share Unit ("RSU") exercise	1,400,000	1,457,400	(1,457,400)	-	-	-	-
Warrant exercise	303,889	48,278	-	-	-	-	48,278
RSU vesting	-	-	1,653,783	-	-	-	1,653,783
Share-based payments	-	-	754,572	-	-	-	754,572
Loss and comprehensive loss for the period	-	-	-	-	(4,887,904)	-	(4,887,904)
Balance, October 31, 2017	77,781,317	20,626,238	10,221,843	-	(22,650,156)	-	8,197,925
Balance, July 31, 2018	124,072,951	57,660,920	15,320,242	-	(43,140,525)	4,896,004	34,736,641
Shares issued pursuant to:							
Mineral property acquisition	200,000	178,000	-	-	-	-	178,000
Consulting fees	384,407	227,373	-	-	-	-	227,373
Floatation plant rental	100,000	72,000	-	-	-	-	72,000
Warrant exercises	861,717	172,343	-	-	-	-	172,343
Share-based payments	-	-	1,136,805	-	-	-	1,136,805
Loss for the period	-	-	-	-	(5,960,667)	(25,604)	(5,986,271)
Balance, October 31, 2018	125,624,075	58,310,636	16,457,047	-	(49,101,192)	4,870,400	30,536,891

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

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MGX Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended October 31, 2018 and 2017
(Unaudited - expressed in Canadian dollars)

	2018	2017
	\$	\$
Cash provided by (used in):		
Operating activities		
Loss for the period	(5,986,271)	(4,887,904)
Items not affecting cash:		
Amortization	18,852	788
Accrued interest	7,959	-
Loss (gain) on debt settlement	-	18,687
Shares issued in lieu of consulting fees	227,373	7,164
Share-based compensation	1,136,805	754,572
RSU vesting	-	1,653,783
Unrealized gain on marketable securities	314,612	-
Gain (loss) on investment in PurLucid	-	115,445
Write-down of mineral property	-	470
Changes in non-cash working capital items:		
Prepaid expense	18,091	(244,305)
GST receivable	(131,973)	(129,664)
Accounts payable and accrued liabilities	1,327,848	628,519
Due to related parties	69,360	7,369
Net cash used in operating activities	(2,997,344)	(2,075,076)
Investing activities		
Acquisition of PurLucid		-
Reclamation deposit	(11,000)	-
Purchase of equipment	(214,206)	-
Property acquisition costs	(726,496)	(388,661)
Net cash used in investing activities	(951,702)	(388,661)
Financing activities		
Proceeds from private placements	-	634,115
Share issue costs	-	(685,446)
Proceeds from exercise of warrants	172,343	48,278
Advance from related party	515,566	-
Loan repayments	(4,613)	-
Net cash provided by financing activities	683,296	(3,053)
Change in cash for the period	(3,265,750)	(2,466,790)
Cash, beginning of period	6,613,350	2,897,448
Cash, end of period	3,347,600	430,658
Significant non-cash financing and investing activities	\$	\$
Shares issued for debt settlement	-	174,699
Shares issued for mineral property and plant acquisitions	178,000	288,000
Supplemental information	\$	\$
Interest paid	87,563	-
Taxes paid	-	-

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MGX Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

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 October 31, 2018, the Company has not generated any revenues from operations and has an accumulated deficit of \$49,101,192 (July 31, 2018 - \$43,140,525). 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.

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, 2018, 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, 2018.

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3. ACCOUNTING STANDARDS

IFRS 16 Leases

This standard replaces IAS 17 Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date for the Company is for the annual period beginning on August 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

IFRS 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on August 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at August 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Marketable securities	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application.

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Notes to the Condensed Interim Consolidated Financial Statements

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The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on August 1, 2018.

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

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Notes to the Condensed Interim Consolidated Financial Statements
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

For full details on the critical accounting estimates and judgements affecting the Company, please refer to the Company's annual consolidated financial statements and notes for the year ended July 31, 2018.

5. PREPAID

The Company's prepaids as at October 31, 2018 and July 31, 2018 are comprised of the following:

	October 31, 2018 \$	July 31, 2018 \$
Advertising and Promotion	123,372	520,228
Consulting Fees	153,913	163,548
Exploration expenses	613,795	272,767
Other	229,910	110,538
	1,120,990	1,067,081

6. 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 three months ended October 31, 2018 the Company revalued the warrants and shares at \$309,828, and recorded a loss on fair value of marketable securities of \$314,612 (2017 - \$nil)

7. MINERAL PROPERTIES

As at July 31, 2018 the Company had capitalized \$11,181,446 (July 31, 2018 - \$10,276,950) of mineral property acquisition costs. During the three months ended October 31, 2018 the Company incurred exploration expenditures of \$2,210,962 (2017 - \$904,950). The Company's mineral property assets as at October 31, 2018 and July 31, 2018 and the changes for the periods then ended, and exploration expenditures for the period ended October 31, 2018 is provided in Schedule 1.

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.

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	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 (incurred)	-	-
On or before September 30, 2018	75,000 (incurred)	-	-
On or before September 30, 2019	100,000 (incurred)	-	35,000
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"). 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. As at October 31, 2018 the Company has completed its requirements per the Alberta Lithium Agreement and owns a 100% undivided interest in the claims.

MGX Minerals Inc.

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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"). The Company has completed its requirements as per the Buck Lake Option Agreement and owns a 100% interest in the Buck Lake claims. 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.

Lisbon Valley

On January 31, 2017 the Company entered into an agreement to acquire Lisbon Valley Petro Lithium Project ("Lisbon Valley") in Utah. As per the agreement the Company made cash payments of \$75,000 USD (CAD - \$98,588), issued 200,000 common shares (fair valued at \$296,000) and make all land management fees.

The Company made additional cash payments of \$467,098 related to additional claims during the year ended July 31, 2018. On August 2, 2017, the Company issued an additional 100,000 common shares, fair valued at \$96,000, to acquire additional Lisbon Valley Claims.

Blueberry Unit

On March 1, 2017 the Company signed an earn-in agreement to acquire 75% interest in leases covering 110,000 acres located contiguous to the Company's Lisbon Valley project. As per the agreement the Company must complete the following:

- Cash payment of \$50,000 USD (paid - \$67,800)
- \$500,000 USD on or before September 1, 2017 (paid - \$648,450)
- \$500,000 USD on or before March 1, 2018 (paid - \$640,450)
- \$500,000 USD on or before September 1, 2018 (paid - 726,496)
- \$450,000 USD on or before March 1, 2019

The Company has also granted a Carry Period ("Carry Period") in which the Company will be responsible for 100% of expenses incurred. The Carry Period will be satisfied once the Company has made all required payments or drilled at least one well on the leases.

Power Metals

On September 18, 2017 the Company entered into an agreement with Power Metals Corp. ("Power Metals") in exchange for common shares of the Company. The terms of the transaction are as follows:

- The Company can acquire all of Power Metal's US Petrolithium Brine assets and a 20% working interest in Power Metal's current hard rock assets and any future assets acquired by Power Metals for the following 36 months
- MGX can acquire an additional 15% working interest in Power Metals hard rock assets for a period of 36 months for a total of \$10,000,000.
- MGX will receive a call option to purchase up to 10,000,000 common shares of Power Metals at a price of \$0.65 per share for a period of 36 months. The options will be granted to MGX if the Company completes the required share issuances.

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- MGX will issue Power Metals 3,000,000 common shares that will be restricted and subject to a release schedule of 1,000,000 shares every 5 months from the signing of a definitive agreement. As at October 31, 2018 the Company has issued 2,000,000 common shares fair valued at \$1,950,000.

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 over the next year.
- 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.

Salinitas Lithium Brine

On July 23, 2018 the Company entered into an option agreement to acquire an 80% interest in the Salinitas Lithium Brine mining tenements ("Salinitas") located in Argentina. As per the terms of the option agreement the Company can acquire 80% interest in Salinitas through the following:

- Cash payment of \$250,000 USD (paid - \$326,775);
- Cash payments totalling \$2,950,000 USD in case the option is exercised by May 31, 2020;
- Incurring exploration expenditures of \$1,200,000 USD by May 31, 2020.

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. There were no acquisition costs capitalized related to this property as at October 31, 2018.

Chilean Lithium Salars

On October 9, 2018 the Company entered into a definitive agreement to acquire a 50% interest in three prospective lithium exploration projects located in Chile, ("Chilean Lithium Projects"). As per the terms of the agreement the Company has agreed to make payments of \$1.5m, with the first \$100,000 payable in cash and the remainder payable in common shares. The Company has also agreed to incur exploration expenditures of \$2,000,000 over the next 20 months. Subsequent to October 31, 2018 the Company issued 1,144,624 common shares pursuant to the agreement.

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(Unaudited - expressed in Canadian dollars)

Prospects and others

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

8. EQUIPMENT

	Furnace \$	Equipment \$	Software \$	Vehicles \$	Total \$
Cost:					
Balance, July 31, 2018	11,426	76,489	23,823	59,774	171,512
Additions	-	210,162	4,044	-	214,206
Balance, October 31, 2018	11,426	286,651	27,867	59,774	385,717
Accumulated Depreciation:					
Balance, July 31, 2018	3,880	1,138	4,036	-	9,054
Amortization	286	12,840	2,737	2,989	18,852
Balance, October 31, 2018	4,166	13,978	6,773	2,989	27,906
Net Book Value:					
July 31, 2018	7,546	75,351	19,787	59,774	162,458
October 31, 2018	7,260	272,673	21,094	56,785	357,812

During the year ended July 31, 2018 the Company acquired a water treatment unit for \$750,000 that as of October 31, 2018 was not ready for use. The unit is currently under testing and development.

The Company also acquired additional equipment from PurLucid valued at \$2,200,000 that is currently under development and not in use at October 31, 2018.

9. 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.

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

- Phase 1 - \$50,000 initial payment (paid)
- Phase 2 - \$50,000 integration payment to be applied to Phase 3 expenses (paid)

On May 2, 2017 the Company and PurLucid amended the Agreement as follows:

- Phase 3 - cash payments of \$950,000 resulting in the Company acquiring 26.62% of the outstanding shares of PurLucid. The completion date of Phase 3 was May 19, 2017, with the total investment in PurLucid at that time being \$1,000,000. The Company also exercised an option to acquire an additional 7.5% of the outstanding shares of PurLucid in exchange for 1,500,000 common shares of MGX. The common shares were issued on May 30, 2017 and fair valued at \$1,605,000.
- Phase 4 – cash payments of between \$500,000 and \$1,467,500 by the completion date of December 31, 2017. Upon completion of Phase 4 the Company would increase its total interest in PurLucid to 46.16%. The Company made cash payment of \$1,467,500 in December, 2017.

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- Phase 5 – cash payments between \$1,000,000 and \$2,612,500 by the completion date July 31, 2018. On July 31, 2018 the Company made cash payments of \$2,612,500 to increase its ownership of PurLucid to 55.13%.

Upon completion of Phase 5, the Company would have a 10-year option period to acquire the remaining outstanding shares of PurLucid.

On July 31, 2018, the Company increased its ownership of PurLucid to 55.13% and thus acquired control, the acquisition of control was accounted for as a business combination achieved in stages. On acquiring control on July 31, 2018, the Company revalued its previously held 46.16% interest at fair value and recognized a gain on step acquisition. The determination of the gain was as follows:

	\$
Fair value of 100% at July 31, 2018	12,125,005
Fair value of 46% carrying interest at July 31, 2018	5,345,907
Less carrying value of 46% prior to control	(4,116,880)
Gain on step acquisition	<u>1,229,027</u>

The consideration paid to acquire control was determined to be the fair value of the carrying interest in PurLucid at July 31, 2018 of \$5,345,907 and the additional cash consideration of \$2,612,500 paid on July 31, 2018. The consideration was allocated to the fair value of the net assets of PurLucid at July 31, 2018. The non-controlling interest was determined as the proportionate share of the fair value of 100% of PurLucid, less a 10% minority discount. The allocation of the purchase price is as follows:

Purchase Price Allocation	\$
Current assets	3,580,389
Property, plant and equipment	2,308,381
Current liabilities	(1,006,307)
Loan	(53,044)
Intangible assets*	10,709,117
Gain on bargain purchase	(2,612,500)
Deferred tax liabilities	(71,626)
	12,854,411
Consideration	
Cash	2,612,500
Fair value of carrying interest	5,345,907
Non-controlling interest	4,896,004
	12,854,411

*Intangible assets consist of customer agreements and the water treatment platform.

10. MGX RENEWABLES INC.

On December 19, 2017 the Company announced it had entered into a definitive agreement to acquire MGX Renewables Inc. ("MGX-R") (formerly ZincNyx Energy Solution). 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. MGX Renewables is a development stage company specializing in the development of zinc air batteries and modular energy storage systems.

The transaction did not meet the definition of a business combination and therefore, has been accounted for as an asset purchase intellectual property. The consideration for the acquisition has been allocated at fair value of the assets and liabilities assumed, based on management's best estimate and taking into

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account all available information at the time.

The following table summarizes the fair value of the total consideration paid and the aggregate fair value of identified assets acquired and liabilities assumed:

Purchase Price	\$
4,784,258 common shares of the Company at \$1.00	4,784,285
Cash	250,000
	5,034,258

Net assets acquired	\$
Cash	61,745
Prepays	22,379
Intellectual property	4,950,134
	5,034,258

11. SHORT-TERM LOAN PAYABLE

As at July 31, 2018, the Company had loans payable of \$711,307 (July 31, 2018 - \$703,348) through PurLucid, all of which are due on demand with interest of 0% to 14% per annum. During the three months ended October 31, 2018, the Company accrued interest of \$7,959 (2017 - \$Nil).

12. 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 October 31, 2018. During the three months ended October 31, 2018 the Company repaid \$4,613 of the loan.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Financings

Financings during the three months ended October 31, 2018 are as follows:

- On August 10, 2018 the Company issued 200,000 common shares pursuant to mineral property acquisitions, the shares were fair valued at \$178,000 (Note 8).
- On August 22, 2018 the Company issued 89,407 common shares in lieu of consulting fees, the shares were fair valued at \$64,373.
- On August 22, 2018 the Company issued 100,000 common shares for the floatation plant rental (Note 8), the shares were fair valued at \$72,000.
- On October 4, 2018 the Company issued 100,000 common shares in lieu of consulting fees, the shares were fair valued at \$53,000.
- On October 12, 2018 the Company issued 200,000 common shares in lieu of consulting fees, the shares were fair valued at \$110,000.

c) Share purchase options

MGX Minerals Inc.

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The balance of share purchase options outstanding and exercisable as at October 31, 2018 and July 31, 2018 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, 2017	7,085,000	0.81	1.59
Granted	5,000,000	0.90	
Exercised	(2,426,000)	0.46	
Expired	(300,000)	0.38	
Balance, July 31, 2018	9,359,000	0.97	1.81
Granted	2,500,000	0.75	
Balance, October 31, 2018	11,859,000	0.92	1.85

The Company recorded share-based compensation expense of \$1,136,805 during the three months ended October 31, 2018 (2017 - \$754,572) as the Company granted 2,500,000 stock options, vesting immediately, to consultants of the Company. The Company fair valued the options granted during the period using the Black-Scholes option pricing model based on the following assumptions:

	2018	2017
Risk-free rate	2.30%	0.89%-0.96%
Expected life of options (years)	3	2 – 3
Annualized Volatility	115%	117%-125%
Dividend rate	Nil	Nil
Forfeiture rate	Nil	Nil

As at October 31, 2018, the following share purchase options were outstanding and exercisable:

Expiry Date	Exercise price \$	Remaining life (years)	Options outstanding
January 24, 2019	1.00	0.23	2,559,000
March 21, 2019	1.42	0.39	100,000
June 12, 2019	1.06	0.61	200,000
June 30, 2019	0.90	0.66	200,000
November 2, 2019	0.96	1.01	200,000
March 3, 2020	1.25	1.34	200,000
June 12, 2020	1.06	1.62	1,300,000
August 1, 2020	0.95	1.75	500,000
April 30, 2021	0.89	2.50	4,100,000
August 31, 2021	0.80	2.84	1,000,000
October 23, 2021	0.72	2.98	1,500,000
			11,859,000

d) Warrants

MGX Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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The balance of warrants outstanding and exercisable as at October 31, 2018 and July 31, 2018 and the changes for the periods then ended are as follows:

	Number of Warrants	Weighted average exercise price \$
Balance, July 31, 2017	10,343,250	0.35
Exercised	30,021,080	1.16
Issued	(8,418,662)	0.25
Balance, July 31, 2018	31,945,668	1.14
Expired	105,772	0.20
Exercised	861,71	0.20
Balance, October 31, 2018	30,978,179	1.17

The following table summarizes the warrants outstanding as at October 31, 2018:

Warrants	Exercise Price	Expiry Date
#	\$	
6,775,224	1.15	May 12, 2019
584,734	1.15	May 12, 2019
1,535,170	1.15	June 12, 2019
134,473	1.55	June 12, 2019
10,316,200	1.15	December 27, 2020
11,632,378	1.20	June 25, 2021
30,978,179	1.17	

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's common shares at the effective date of January 29, 2017. The amount been recognized evenly over the vesting periods.

As at October 31, 2018, 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.

MGX Minerals Inc.

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14. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three months ended October 31, 2018 and 2017:

	2018	2017
	\$	\$
Management fees	64,000	1,490,400
Geological fees	22,725	15,650
	<u>86,725</u>	<u>1,506,050</u>

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

As at October 31, 2018, the Company had \$697,310 (July 31, 2018 - \$68,354) owing to related parties, all of which is unsecured, non-interest bearing and due on demand. A total payable of \$177,720 (July 31, 2018 - \$64,330) was owed to directors and officers of the Company and companies owned by them. A payable of \$960 (2018 - \$960) was owed to a company with common directors and a payable of \$3,064 (2018 - \$3,064) was owed to a former parent company. During the three months ended October 31, 2018 the Company received \$515,566 in advances from a director. The amounts are non-interest bearing and due on demand.

15. SEGMENTED INFORMATION

The Company operates in three reportable operating segments, the first being the acquisition and exploration of mineral properties in Canada, USA and Argentina; the second being the development of zinc-air batteries through its wholly owned subsidiary MGX Renewables and the third being water treatment and mineral extraction of waster water through PurLucid.

A breakdown of the Company's assets by operating and geographic segment as at October 31 2018 and July 31, 2018 are as follows:

	October 31, 2018	July 31, 2017
	\$	\$
Mineral properties		
Canada	6,165,722	5,987,721
USA	4,688,950	3,962,454
Argentina	326,775	326,775
Total	<u>11,181,446</u>	<u>10,276,951</u>
MGX Renewables		
Canada	<u>4,950,134</u>	<u>4,950,134</u>
PurLucid		
Canada	<u>10,709,117</u>	<u>10,709,117</u>

16. NON-CONTROLLING INTEREST

The Company owns a 55% controlling interest in PurLucid and the remaining 45% held by various other parties is accounted for as a non-controlling interest. Financial information related to PurLucid is as follows:

MGX Minerals Inc.

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	October 31, 2018	July 31, 2018
	\$	\$
Current assets	3,476,496	991,005
Equipment	2,332,719	2,308,381
Current liabilities	(740,787)	(779,422)
Total liabilities	(1,039,218)	(1,082,466)
Intangible assets	10,709,117	10,709,117

During the three months ended October 31, 2018 the Company recorded \$56,898 of loss related to PurLucid (2017 - \$nil). PurLucid also received \$705,058 in government grants related to research and development expenditures. Per the terms of the grant

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 October 31, 2018.

18. SUBSEQUENT EVENTS

Subsequent to October 31, 2018:

1. The Company issued 1,199,198 common shares to increase its ownership in PurLucid by 5%.
2. The Company entered into an arrangement agreement ("Spin-out"), with its wholly owned subsidiary MGX Renewables Inc. whereby MGX will complete a spin out of 40% of the common shares of MGX Renewables Inc. pursuant to a plan of arrangement under the Business Corporations Act (British Columbia). The completion of the Spin-out is subject to shareholders and the Exchange approvals.
3. The Company issued 1,144,624 common shares pursuant to a mineral property acquisition.
4. The Company completed a non-brokered private placement issuing 2,591,667 non-flow-through units ("NFT Units") at \$0.60 per NFT Unit. Each NFT Unit consists of one common share of the Company and one common share purchase warrant that entitles the holder to acquire one additional common share for a period of 36 months from the date of closing at an exercise price of \$0.67. The Company also issued 8,079,151 flow-through units ("FT Units") at \$0.65 per FT Unit. Each FT Unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company for a period of 36 months from the date of closing at an exercise price of \$0.70.

MGX Minerals Inc.**Schedule 1**

Schedule of Mineral Properties

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

The following table summarizes the Company's mineral property assets as at October 31, 2018 and July 31, 2018 and the changes for the periods then ended, and exploration expenditures for the period ended October 31, 2018.

	Driftwood	Fran	Canada Lithium	US Lithium	Argentina Lithium	Chile Lithium	Case Lake	Silica Projects	Prospects and Others	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2018	230,231	414,429	2,720,332	3,962,454	326,775	-	2,030,731	465,000	126,999	10,276,951
Paid in cash	-	-	-	726,496	-	-	-	-	-	726,496
Paid by issue of shares	-	-	178,000	-	-	-	-	-	-	178,000
Balance, October 31, 2018	230,231	414,429	2,898,332	4,688,950	326,775	-	2,030,731	465,000	126,999	11,181,446
Exploration expenditures										
Administrative	234	39,728	1,139	-	-	-	-	856	36	41,993
Consulting	1,100	40,489	9,808	19,113	-	27,492	-	973	1,648	100,623
Drilling	-	410,139	174,150	165,415	-	-	-	-	-	749,704
Excavation	-	-	-	-	-	-	-	7,800	146,438	154,238
Field work	2,341	50,392	3,989	353	-	-	-	1,800	-	58,875
Geological	9,825	1,800	68,274	66,223	-	7,500	-	16,725	3,900	174,247
Lab work	4,782	22,776	-	-	-	-	-	6,721	600	34,879
Licenses and fees	-	-	10,000	403,384	-	-	-	-	-	413,384
Miscellaneous	948	20,870	6,803	-	-	109	-	-	-	28,730
Personnel	31,628	171,375	-	66,494	-	-	-	4,000	-	273,497
Travel & accommodation	9,856	97,279	61,015	4,123	-	5,899	-	2,620	-	180,792
Total at October 31, 2018	60,714	854,848	335,178	725,105	-	41,000	-	41,495	152,622	2,210,962