



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three months ended May 31, 2015

**SPHINX RESOURCES LTD.**  
**Management's Discussion and Analysis**  
Three months ended May 31, 2015  
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This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations reviews the activities, results of operations and financial position of Sphinx Resources Ltd. ("Sphinx" or the "Corporation") (previously known as Donner Metals Ltd.) for the three months ended May 31, 2015 ("Q1-16"), together with certain trends and factors that are expected to have an impact in the future. The following abbreviations are used to describe the periods under review throughout this MD&A:

<b>Abbreviation</b>	<b>Period</b>
Q1-14	March 1, 2013 – May 31, 2013
Q2-14	June 1, 2013 – August 31, 2013
Q3-14	September 1, 2013 – November 30, 2013
Q4-14	December 1, 2013 – February 28, 2014
Fiscal 14	March 1, 2013 – February 28, 2014
Q1-15	March 1, 2014 – May 31, 2014
Q2-15	June 1, 2014 – August 31, 2014
Q3-15	September 1, 2014 – November 30, 2014
Q4-15	December 1, 2014 – February 28, 2015
Fiscal 15	March 1, 2014 – February 28, 2015
Q1-16	March 1, 2015 – May 31, 2015
Q2-16	June 1, 2015 to August 31, 2015
Fiscal 16	March 1, 2015 – February 28, 2016

Sphinx was incorporated on June 28, 2005 and is governed by the *Canada Business Corporations Act*. The Corporation is a reporting issuer in Alberta, British Columbia, Ontario and Québec and its shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol SFX.

The following MD&A should be read in conjunction with the Corporation's unaudited condensed interim financial statements for Q1-16 and the MD&A for the year ended February 28, 2015 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, the functional currency of the Corporation, unless otherwise stated. The effective date of this MD&A is July 20, 2015.

Additional information about the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.sphinxresources.ca](http://www.sphinxresources.ca).

The technical information contained in this MD&A has been reviewed and verified by Sphinx's President and Chief Executive Officer, Normand Champigny (ing., B.A.Sc., M.A.Sc.), who is a qualified person for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

**1. DESCRIPTION OF BUSINESS**

The Corporation is engaged in the acquisition, exploration and development of mineral projects in Québec, Canada.

**2. OUTLOOK**

Although the commodity price environment remains challenging and financing for exploration and evaluation activities continues to be difficult, the Corporation's management team believes there are quality acquisition opportunities of mining projects that are worth pursuing. Sphinx is focusing on the development of mineral exploration projects in Québec, primarily through acquisitions.

Sphinx has a team of mine finders in the province of Québec, which is recognized as an attractive mining jurisdiction worldwide. Members of its Board of Directors (the "Board") and Advisory Committee include professionals that have been involved in mine discovery and development as well as project generation in Canada and internationally.

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**2. OUTLOOK (CONT'D)**

Since 2014, the Corporation has concluded seven acquisitions and agreements with leading Québec-based project generators and operators, as follows:

1. Green Palladium platinum group elements-nickel-copper and Calumet-Sud project with Amixam Resources Inc. ("Amixam");
2. Somanike nickel-copper-platinum group elements ("Ni-Cu-PGE") project through agreements with Virginia Mines Inc. (now called Osisko Exploration James Bay Inc.) ("Virginia") for the Preissac project and with Royal Nickel Corporation ("Royal Nickel") for the Marbridge project;
3. Samson Ni-Cu-PGE project with Midland Exploration Inc. ("Midland");
4. Adam gold-copper project with Midland; and Dollier gold project with Cartier Resources Inc. ("Cartier");

Under each agreement, the Corporation has either earned a 100% interest or has the opportunity to earn an interest between 50% to 100%.

The Corporation's focus has been on high grade Ni-Cu-PGE targets in Quebec. To fund the acquisition and first-year exploration expenditure commitments as well as its corporate requirements, financings totaling approximately \$3.8 million were completed in 2014. The Corporation continues to review additional project acquisition opportunities as they arise.

**3. EXPLORATION PROJECTS**

For mineral properties that have not reached technical feasibility, exploration and evaluation expenditures are charged to operations as they are incurred. The Corporation's exploration and evaluation expenditures incurred are as follows:

	Q1-16	Q1-15
	\$	\$
		-
<b>Green Palladium</b>		
Drilling	42,525	-
Geology	31,523	-
Geophysics	-	-
Project acquisition and maintenance	160,185	-
	234,233	-
<b>Somanike</b>		
Drilling	150,494	-
Geology	19,050	-
Geophysics	71,165	-
Geochemistry	3,676	-
Project acquisition and maintenance	190	-
	244,575	-
<b>Samson</b>		
Drilling	132,546	-
Geology	15,849	-
Geophysics	35,299	-
Geochemistry	18,652	-
Project acquisition and maintenance	2,431	-
	204,777	-

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**3. EXPLORATION PROJECTS (CONT'D)**

	Q1-16	Q1-15
	\$	\$
<b>Adam</b>		
Geology	6,425	-
Geophysics	10,154	-
	16,579	-
<b>Valmond</b>		
Drilling	-	154,292
Geology	-	15,792
Geochemistry	-	31,836
Supervision and technical fees	-	20,193
	-	222,113
<b>Project Generation</b>	234,233	-
Geology	-	3,921
	-	3,921
<b>Total exploration and evaluation expenditures</b>	<b>700,164</b>	<b>226,034</b>

**3.1 Green Palladium project**

**a) Project description**

On March 12, 2015, the Corporation signed a definitive project acquisition agreement with Amixam for the acquisition of 100% of the Green Palladium project, located in the Regional Municipal County of Pontiac, adjacent to the Quebec Abitibi-Temiscamingue region. Under the terms of this agreement, the Corporation acquired the Green Palladium project by issuing 4,000,000 common shares, valued at \$160,000 based on the Exchange share price of \$0.04 on the date of the share issuance. Another 461,536 common shares will be issued at the earliest on January 20, 2016 under certain conditions. Amixam was granted a 2% Net Smelter Return Royalty ("NSR"). In addition, the Corporation must complete the following exploration work, failing which the property will be returned to Amixam:

	Work	
	Commitment	Completed
	\$	\$
January 20, 2016	50,000	50,000
January 20, 2017	100,000	66,478
January 20, 2018	600,000	-
<b>Total</b>	<b>750,000</b>	<b>116,478</b>

Nickel and copper were initially found in 1951 on the Project. In 1958, a bulk sample was taken from a small test pit. It returned 1.2% Cu and 0.24% Ni but was not analyzed for palladium and platinum or other PGE (Sigeom GM 27924). In 1964, two shallow holes (35 m and 52 m deep respectively) were drilled under this test pit and nearby. They both returned sub-economic copper values. The 52 m deep hole revealed a 22.5 m intersection which is open at depth and chalcopyrite disseminations and stringers. PGEs were not analyzed. No geophysical survey was conducted before this drilling. In 1973, IP survey was carried out on a 1.3 km<sup>2</sup> grid that covered the test pit blasted in 1958. This survey revealed five IP anomalies, one of which measures 200 m by 100 m. The latter anomaly is situated adjacent to the blasted the test pit and drill holes. No drilling was conducted before this drilling. The Project remained inactive until Amixam staked it in 2014. In the spring of 2014, three samples projected outside the pit in 1958, were selected for analysis. These samples were taken from massive sulphide breccias. The values obtained were 3.3 g/t, 2.3 g/t and 0.6 g/t Pd and 3.2%, 3.3% and 0.2% Cu respectively.

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**3. EXPLORATION PROJECTS (CONT'D)**

Nickel graded between 0.2% and 0.1% while platinum and gold were present in traces. After these initial results, stripping was undertaken around the test pit of 1958, today water-filled. Channel samples were taken in the gneissic wall rocks crosscut by chalcopyrite veinlets and impregnated by them in a disseminated fashion. These channel samples returned values between 0.8 g/t and 0.6 g/t Pd with 0.8% to 0.4% Cu over several metres.

The palladium-copper-rich breccia with a massive sulphide matrix encloses centimeter-scale rounded pyroxenite xenoliths and exhibits magmatic textures. It occurs within a multi-kilometer swarm of gabbroic stocks. The gabbro intrusions crosscut a thick, anhydrite-bearing dolomitic marble sequence of evaporitic origin. This lithotectonic setting is reminiscent of the Norilsk large Ni-Cu-PGE mining camp in Russia, the world's largest palladium producer.

**b) Exploration work on the project**

In the winter and spring seasons of 2014/2015, Sphinx carried out IP, electromagnetic and magnetic ground surveys on the Project. The surveys were followed by diamond drilling on priority geophysical targets outlined in the vicinity of the Pd-Cu-rich 1958 blasted test pit.

In June 2015, a 9 hole program, totaling 962 m, has been completed. Due to their promising character, a few priority samples have been taken in the first hole and in a surface channel sample vertically above the hole. Assay results from these first samples reveal that hole GP-15-01 intersected a stratabound platinum group elements ("PGE") reef which returned 3.44 g/t Pd+Pt+Au over 40 centimetres. It is a metamelanogabbro layer containing about 2% finely disseminated sulphides. This reef is overlain by a 28-cm layer of barren monzonite. Above the monzonite layer, 1.29 m of sulphide-mineralized metamelanogabbro and metapyroxenite containing about 10% sulphides in places, returned strongly anomalous palladium values including 0.59 g/t Pd+Pt+Au over 21 centimetres.

A 1.5 m-long surface channel sample, taken in a direction parallel to hole GP-15-01, returned a composite interval of 0.86 g/t Pd, 0.34 g/t Pt, 0.05 g/t Au and 0.40 % Cu from 1.50 to 3.00 metres. This channel sample is situated 31 m sub-vertically (about 70 degrees dip) above the PGE reef intersected by the drill hole. It indicates a vertical continuity of the mineralized reef. The sample has been taken within a small test pit blasted in 1958, cleaned and expanded during the current drilling program. It is in this small pit that grab samples were taken during 2014. The samples revealed grades of 3.3 g/t, 2.3 g/t and 0.6 g/t Pd as well as 3.2%, 3.3% and 0.2% Cu respectively (see press release of January 21, 2015).

This discovery occurs in a previously unrecognized layered igneous complex. Mineralization is hosted in an interpreted "reef" horizon of metamorphosed and orualitized pyroxenite and melanogabbro. This horizon shows disseminated sulphides that local concentration can be sufficiently high to confer to this rock a "net texture". The sulphides are comprised primarily of pyrrhotite (iron sulphide) and chalcopyrite (copper sulphide). Mineralized breccias exhibiting magmatic textures with centimeter-scale rounded pyroxenite xenoliths contained in a massive sulphide constitute the stratigraphic top of the reef. There appears to be a strong correlation between the presence of chalcopyrite and high palladium values. The highest palladium, platinum and gold values are in the sulphide-poor basal section of the intersected reef.

Both the mineralized drillhole intercept and surface channel samples are situated at the northeast end of an anomaly identified by the magnetometer and an induced polarization survey performed earlier this year. This linear anomaly, more than 700 m long, is oriented SSW-NNE.

The complete assay results for the remaining holes and other channel samples are pending. Reef stratigraphy comprised of metamelanogabbro and metapyroxenite has been observed in all other drillholes with the exception of one (1) hole drilled outside of the aforementioned geophysical anomaly. The mineralized reef horizon remains open in all directions.

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**3. EXPLORATION PROJECTS (CONT'D)**

**3.2 Calumet Sud Project**

**a) Project description**

On June 21, 2015, the Corporation signed a binding letter of agreement to acquire the Calumet Sud project in the Pontiac MRC in southwestern Quebec. Subject to the approval by the Exchange and the execution of a definitive agreement, the Corporation will acquire the project by issuing an aggregate of 6,153,846 common shares of the Corporation to Amixam by the second anniversary. In addition Sphinx will: (i) make cash payments to Amixam totaling \$93,000 as a reimbursement of expenses spent by Amixam on the Project, and (ii) fund not less than \$350,000 in exploration expenditures by the third anniversary. A 2% NRS will be granted to Amixam.

The project consists of 21 claims (12.1 km<sup>2</sup>) located in the Municipality of Grand Calumet Island in the Pontiac MRC in southwestern Quebec. The Project is immediately adjacent and south of the former New Calumet mine that produced from 1943 to 1968, 3.8 million tonnes at 5.8% Zn, 1.6% Pb, 65 g/t Ag and 0.4 g/t Au. In the 1980s, Lacana Mining Ltd. discovered significant gold mineralization immediately below the underground workings of the former New Calumet mine. The Project is adjacent to its 100% owned Green Palladium project.

**b) Exploration work on the project**

In 2014, Amixam carried out a soil geochemical survey on the northwest portion of the Project. A follow-up soil survey at 25 m spacing outlined a strong 300 m-long lead and zinc anomaly. One-metre long channel samples were taken in the trenches dug by Amixam over the anomaly. Trench #1 returned 1.9% Zn over 5 m followed by 3.7% Zn over 4 m including 5.4% Zn over 2 metres. Trench #2 returned 3% Zn over 10 m including 6.9% Zn over 1 metre. It should be noted that sphalerite is partially leached by surface waters in these trenches, which may have superficially impoverished the mineralization. This mineralization corresponds to an interpreted exhalative horizon at the contact between dolomitic marble and meta-volcanic rocks. It is the same exhalative horizon that is followed at the New Calumet mine. Sphinx considers that these trenches reveal a first priority zinc target that is drill-ready.

The Project also includes the southwestern quarter of the Obwongdiag layered igneous complex, which was recently named by Sphinx. It is in this layered igneous complex that Sphinx recently discovered a platinum group elements-bearing reef (see press release of June 18, 2015) and will provide Sphinx with additional and highly prospective stratigraphy.

**3.3 Somanike "Ni-Cu-PGE"**

**a) Project description**

The Somanike project comprises 86 claims, 2 mining concessions with a 52 km<sup>2</sup> surface area and is located about 25 km north-west of the town of Malartic, in the Abitibi region of Québec.

The project covers a strike length of over 14 km and is comprised of Archean volcanic rocks (the Malartic and Louvicourt groups) and sedimentary rocks of the Kewagama group. This area represents the extension of volcanic units found in the Val d'Or area, which is well known for its many volcanogenic massive sulphide deposits and gold deposits. The project area includes a sequence of ultramafic rocks located south of Mainville South regional fault and wedged between the plutons of La Motte to the north, Preissac to the south and La Corne pluton to the east. The geology of the area is essentially composed of komatiites and peridotites, mafic and felsic volcanic rocks. A sedimentary unit is also observed in places. These lithologies belong to the La Motte-Vassan Formation, at the base of the Malartic Group. Litho-geochemistry data from historical drill holes indicate the presence of ultramafic sills.

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**3. EXPLORATION PROJECTS (CONT'D)**

The Marbridge underground nickel-copper mine ("Marbridge") produced 774,227 tonnes of ore grading 2.28% nickel and 0.1 % copper between 1962 and 1968, with four deposits being discovered by prospecting and surface drilling between 1957 and 1966. Marbridge has been the only nickel mine in the Abitibi region to date. The deposits were previously operated under a joint venture between Falconbridge Nickel Mines and Marchant Mining, and then owned by Royal Nickel. An airborne electromagnetic survey was conducted by Royal Nickel over Marbridge in 2014. Results from this survey, and work conducted on the Corporation's Preissac Ni-Cu-PGE project in 2014 and 2015, including drilling has defined several priority drill targets on both the Preissac and Marbridge projects. There is significant potential for the discovery of high grade Ni-Cu-PGE sulphide deposits typical of the Raglan (Quebec) and Kambalda type deposits (Western Australia).

On June 1, 2015, the Corporation signed an acquisition agreement with Royal Nickel for the purchase of 100% of the Marbridge project by issuing 2,000,000 common shares (valued at \$70,000). This project comprises 8 claims and 2 mining concessions for a total surface area of about 5.8 km<sup>2</sup> and is located within the municipality of La Motte just east of the Corporation's Preissac project. Royal Nickel also received a 2% NSR on the Marbridge mining concessions and the Corporation has the right and option to purchase this 2% NSR for \$2,000,000. The 8 mining claims remain subject to a 2% NSR in favour of Jefmar Inc. and the Corporation has the right to purchase 50% of this NSR for \$1,000,000.

The Preissac and Marbridge projects are collectively renamed as the Somanike project in connection with the signing of a cooperation agreement between Sphinx and the Abitibiwinni first nation (the "Abitibiwinni Nation"), based at Pikogan, Quebec. In connection with the cooperation provided and services rendered by the Abitibiwinni Nation in finalizing all of these initiatives, the Corporation issued 100,000 common shares (valued at \$5,000) to the Abitibiwinni Nation.

**b) Exploration work on the project**

High-grade mineralization has been intersected as part of the diamond drill program performed on the project. Results include the first nickel-bearing sulphide intercept from the project, which returned 1.41% Ni, 0.05% copper, 0.30 g/t palladium and 0.04 g/t platinum over 0.5 m. The high-grade intercept is surrounded by anomalous Ni-Cu-PGE values in sulphides within ultramafic rocks and intermediate lapilli tuffs. The mineralization remains open in all directions.

Hole # total depth	UTM E NAD 83	UTM N NAD 83	Dip / Direction (true N °)	From (m)	To (m)	Interval (m) *	Ni (%)	Cu (%)	Pt (g/t)	Pd (g/t)
SR-15-01 273 m	704941	5358319	-52 / 158	54	203	149	Mostly ultramafic rocks No significant results			
SR-15-02 150 m	705568	5358912	-48 / 158	57	60	3	Ultramafic rocks No significant results			
SR-15-04 220 m	707590	5357935	-49.5 / 181	66	79	13	Ultramafic rocks No significant results			
SR-15-06 192 m	707590	5357850	-44 / 184 including	56.4 60.0	60.5 60.5	4.1 0.5	0.29 1.41	0.04 0.05	NA 0.04	NA** 0.30

\* Reported drill intercepts are not true widths. There is insufficient data with respect to the shape of the mineralization to calculate true orientations in space.

\*\* Not analyzed.



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**3. EXPLORATION PROJECTS (CONT'D)**

The program tested drill targets identified by the integration of historical information, the 2014 VTEM<sup>plus</sup> geophysical survey results, prospecting results and a ground-based TDEM-ARMIT geophysical survey carried out on the eastern portion of the project during the 2015 winter season. Four drill holes were completed for a total of 917 m drilled. Two planned holes were not completed: SR-15-03 was abandoned at 82 m in overburden and SR-15-05 was postponed due to spring break-up.

The four completed holes confirmed the presence of more intrusive ultramafic rocks (peridotite) than previously known in the eastern part of the project area. The ultramafic rocks are likely feeders to komatiite flows known in the area. High-grade mineralization is directly associated with peridotite and supported by additional intervals of anomalous nickel in sulphides. To test the potential extensions of the nickel-bearing sulphides, down-hole EM surveys were completed in two holes to assist with future drill targeting. Several priority drill targets have been identified. On the basis of the results obtained to date, the Corporation is designing a follow-up exploration program which includes drilling of high priority targets.

**3.4 Samson (Ni-Cu-PGE)**

**a) Project description**

On September 3, 2014, the Corporation signed an agreement with Midland to acquire half of the Samson project. Under the terms of this agreement, the Corporation may earn 50% of Midland's 100% interest over a period of four years, by fulfilling the following conditions:

	Payments in cash		Works	
	Commitment	Completed	Commitment	Completed
	\$	\$	\$	\$
Upon signing the agreement	40,000	40,000	-	-
September 3, 2015 (\$350,000 work is a firm commitment)	40,000	-	500,000	500,000
September 3, 2016	50,000	-	700,000	65,186
September 3, 2017	70,000	-	900,000	-
September 3, 2018	75,000	-	1,400,000	-
<b>Total</b>	<b>275,000</b>	<b>40,000</b>	<b>3,500,000</b>	<b>565,186</b>

**b) Exploration work on the project**

During the month of December 2014, ground-based electromagnetic TDEM-ARMIT surveys were completed on six grids totalling approximately 60 line kilometres. The surveys verified the presence of several historic and coincident magnetic and EM responses identified during a MegaTEM airborne electromagnetic survey completed by Noranda Inc. in 2004. Following the interpretation of the ground TDEM-ARMIT surveys, several electromagnetic conductors located along the margins of strong magnetic signatures caused by ultramafic intrusions were selected for follow-up drill-testing.

Midland completed six diamond drill holes for a total of 1,626 metres. Two of these drill holes (SAM-15-01 and SAM-15-06) confirmed the presence of ultramafic intrusive rocks over a distance of more than 15 km in the north part of the project. Drill hole SAM-15-01 returned values of 101 ppb Au and 263 ppb Pd over 1.0 m, from 240.0 to 241.0 m, associated with fracturing in ultramafic rocks. About 15 km to the east and just south of these ultramafic rocks, drill hole SAM-15-05 intersected a sequence of graphitic mudstones and cherty tuffites with pyrite mineralization and anomalous gold grades of 0.12 g/t Au over 1.0 m (146.0 to 147.0 m) and 0.20 g/t Au over 1.0 m (150.0 to 151.0 m). In addition, hole SAM-15-06 showed the beginning of a weak "Off-Hole" anomaly near the end of the hole. A follow-up exploration program has been designed by Midland and is being reviewed by the Corporation.

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**3. EXPLORATION PROJECTS (CONT'D)**

**3.5 Adam project (gold-copper)**

**a) Project description**

On December 12, 2014, the Corporation signed an agreement with Midland to acquire half of the Adam project, located about 50 km west of the town of Matagami, in Abitibi, Québec. Under the terms of this new agreement, the Corporation may earn 50% of Midland's interest over a period of four years, by fulfilling the following conditions:

	Payments in cash		Works	
	Commitment	Completed	Commitment	Completed
	\$	\$	\$	\$
Upon signing the agreement	20,000	20,000	-	-
December 12, 2015 (\$200,000 work is a firm commitment)	40,000	-	400,000	179,155
December 12, 2016	50,000	-	400,000	-
December 12, 2017	70,000	-	1,000,000	-
December 12, 2018	70,000	-	1,200,000	-
<b>Total</b>	<b>250,000</b>	<b>20,000</b>	<b>3,000,000</b>	<b>179,155</b>

**b) Exploration work on the project**

An helicopter-borne VTEM electromagnetic survey totalling about 800 line-km was completed in December 2014 to cover the entire property. A follow-up exploration program has been designed by Midland and is being reviewed by the Corporation.

**4. RESULTS OF OPERATIONS**

**4.1 Tables presenting details of expenses**

General and administration expenses details are as follows:

	Q1-16	Q1-15
	\$	\$
Administration fees	-	30,000
Directors fees	9,000	6,000
Filing and transfer agent fees	8,299	4,371
Management fees	25,810	67,056
Office and miscellaneous	10,870	14,937
Professional fees	20,122	158,286
Promotion	31,979	51,788
Rent	-	(2,596)
Salaries and benefit	68,916	(187)
Share-based payments	1,146	-
Travel	2,252	11,151
<b>General and administration</b>	<b>178,394</b>	<b>340,806</b>

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**4. RESULTS OF OPERATIONS (CONT'D)**

Finance costs details are as follows:

	Q1-16	Q1-15
	\$	\$
Accretion sublease reserve	408	559
Accretion of convertible debentures	22,340	-
Issuance costs on convertible debentures	1,287	-
Interest paid and accrued on loan payable	5,607	89,440
<b>Finance costs</b>	<b>29,642</b>	<b>89,999</b>

**4.2 Discussion on Q1-16 financial position and results of operations**

For Q1-16, the Corporation reported a loss and comprehensive loss of \$741,806 (Q1-15 – \$601,994). The Corporation's loss per share was \$0.02 (Q1-15 - \$0.04).

See Section 3 for details of the exploration work done on the different projects totalling \$700,164 (Q1-15 - \$226,034).

**a) General and Administrative**

During Q1-16, general and administrative expenses decreased to \$178,394 (Q1-15 - \$340,806) and highlights are as follows:

- Administration fees. The Corporation paid an arms-length private company \$10,000 per month up to May 2014 for accounting, secretarial and general administrative services.
- Management fees, salaries and benefits. In Q1-15, the CEO and CFO were charging management fees. On July 1, 2014, the CEO became a salaried employee.
- Professional fees decreased to \$20,122 (\$158,286 in Q1-15). In Q1-15, the majority of the professional fees were incurred in relation to the evaluation and acquisition of exploration and mining projects.
- Promotion. In March 2014, the Corporation hired Cor Capital Inc. to provide non-exclusive investor relations services and the fees are \$7,500 per month (with an initial payment in March 2014 of \$22,500).

**b) Finance costs**

Interest paid in Q1-16 of \$29,642 (\$89,999 in Q1-15) relates mostly to the loan payable bearing a 14% interest rate. In August 2014 and September 2013, repayments of \$1,640,000 and \$2,470,000 respectively were done, which explains the reduction on the loan payable interest expense.

**c) Flow-through share premium**

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Flow-through common shares are recognized in equity based on the Corporation's quoted stock price on the date of the issuance. The difference between the amounts recognized in common shares and the total amount the investor pays for the flow-through common shares is recognized as a liability which is subsequently reversed into earnings as eligible expenditures are incurred. The resources expenditures relating to the \$1,104,250 July-August 2013 flow-through financing were completed by December 31, 2014. Of the \$779,548 flow-through financing completed in December 2014, the Corporation completed \$745,755 of the resources expenditures.

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**5. FINANCING ACTIVITIES**

In Q2-16, the Corporation issued 448,767 common shares in lieu of a cash payment for the first 6 months interest of \$22,438 payable in accordance with the terms of the \$375,000 convertible debentures issued by the Corporation on December 19, 2014.

**6. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Corporation recorded a loss of \$741,806 in Q1-16 and has an accumulated deficit of \$69,300,331 as at May 31, 2015. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its other obligations, existing commitments for the exploration and evaluation programs and pay general and administration costs. As at May 31, 2015, the Corporation had working capital of \$300,011 and exploration expenditure commitments of \$33,793 pursuant to flow-through financings.

While the Corporation has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If new funding is not obtained, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

In Q1-16, there were no major sources of cash. Major uses of cash during Q1-16 were approximately \$558,083 on operating activities.

**6.1 Loan Payable**

As at May 31, 2015 and as of the date of this report, the loan outstanding amounts to \$160,000 and the Corporation is paying monthly interest at 14% per annum.

**6.2 Cash flow projection**

Following is a table showing the cash flow projection up to May 31, 2016:

	<b>Up to May 31, 2016</b>
	\$
May 2015 cash	335,265
Tax credit received and tax payments	556,925
2016 projected financings <sup>1)</sup>	630,000
Operating expenses	(877,488)
Exploration budget	(215,421)
Staking and property maintenance	(118,439)
Loan repayment	(160,000)
Finance costs	(11,900)
<b>Total</b>	<b>138,942</b>

1) While the Corporation has secured financing in the past, there can be no assurance it will be able to do so for the projected financings.

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**7. SELECTED QUARTERLY INFORMATION**

The following table presents selected financial information for each of the most recent eight quarters:

	<b>Q1-16</b>	<b>Q4-15</b>	<b>Q3-15</b>	<b>Q2-15</b>
	\$	\$	\$	\$
Interest income	694	1,862	586	678
Loss	(741,806)	(606,321)	(944,920)	(340,732)
Loss per share	(0.02)	(0.02)	(0.04)	(0.02)
Working capital (deficiency)	300,011	856,636	(86,025)	(826,895)
Total assets	1,169,814	1,905,678	2,014,277	1,820,705

  

	<b>Q1-15</b>	<b>Q4-14</b>	<b>Q3-14</b>	<b>Q2-14</b>
	\$	\$	\$	\$
Interest income	2,456	2,613	3,387	22,960
Earnings from discontinued operations	-	-	-	25,586,101
Earnings (loss)	(601,994)	912,094	(848,967)	(27,138,952)
Earnings (loss) per share	(0.04)	0.19	(0.16)	(1.29)
Working capital (deficiency)	(1,297,488)	(851,572)	(4,778,342)	(3,875,631)
Total assets	3,801,522	4,843,169	3,642,132	6,888,233

Highlights for each quarter are as follows.

**7.1 Q1-16**

Exploration expenditures totalling \$537,358 were spent on the Samson, Somanike, Green Palladium and Adam projects.

The Corporation signed an acquisition agreement for the Green Palladium project.

**7.2 Q4-15**

The Corporation completed a \$879,548 private placement by issuing 5,996,523 flow-through shares and 1,250,000 units. It also issued for \$375,000 of convertible debentures.

The Corporation signed an agreement for the Adam project.

Exploration expenditures totalling \$528,452 were spent on the Samson, Preissac and Green Palladium projects.

**7.3 Q3-15**

The Corporation completed a \$1,340,900 private placement by issuing 10,314,615 shares. It also issued 2,556,538 common shares to settle a debt of \$332,350 owed to previous management.

The Corporation signed two agreements: one for the Samson project where a \$40,000 cash payment was made and the other for the Dollier project where 150,000 common shares were issued and valued at \$15,000.

Exploration programs were launched on the Preissac, Samson and Dollier projects in addition to having drilling resume on the Valmond project for a total of \$691,192 exploration and evaluation expenditures incurred.

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**7. SELECTED QUARTERLY INFORMATION (CONT'D)**

**7.4 Q2-15**

The fiscal 2012 Québec refundable credits on mining duties of \$1,637,203 were received and consequently the residual balance of \$1,530,000 due to Ressources Québec inc. was reimbursed and a partial payment to the other lenders was made for \$110,000.

The Corporation acquired the Preissac project by issuing 588,235 common shares valued at \$47,059.

**7.5 Q1-15**

The Corporation continued to constrain general and administrative costs; however the Corporation incurred additional professional fees in relation to project acquisition-related activities. All of the exploration costs incurred in Q1-15 were expensed on the Valmond gold project.

**7.6 Q4-14**

The Corporation reported a gain on sale of the remaining Matagami Project joint ventures of \$2,395,200 during Q4-14, which resulted in the Corporation reporting earnings. The Corporation continued to reduce general and administrative costs in February 2014, however the Corporation incurred significant professional fees amounting to \$175,274 and accrued \$241,500 in management fees (\$60,000 paid; \$181,500 owing as at May 31, 2014). The professional fees consisted of accruing year-end audit fees of \$85,000 and various legal fees amounting to \$78,725.

**7.7 Q3-14**

The Corporation started to reduce general and administrative costs in August 2013. Exploration expenditures decreased during the quarter as the Corporation was no longer funding any Bracemac-McLeod exploration and stopped funding Matagami Regional exploration in October 2013.

**7.8 Q2-14**

The Bracemac-McLeod mine began commercial production on June 1, 2013. The Corporation earned its first revenues from the sales of copper and zinc concentrate. However, the Corporation forfeited its 35% interest in the Bracemac-McLeod mine and mine property area on August 30, 2013. A loss on disposal of \$24,750,814 was recorded following this forfeiture.

The forfeiture also resulted in the following: 1) total assets of the Corporation decreasing by \$64,479,149 from May 2013 onwards; 2) the \$6,000,000 loan payable being reported at its full face value as a short-term liability; 3) the deferred revenue received under the Sandstorm Metal Purchase Agreement being written-off; and 4) the asset retirement obligations relating to the Bracemac-McLeod mine being reduced to nil. As of November 30, 2013, the Corporation has a working capital deficiency of \$3,875,631, primarily as a result of the \$6,000,000 loan payable being classified as a short-term liability.

**8. SUBSEQUENT EVENTS**

See Section 3 for the Marbridge and the Calumet Sud project acquisitions. Also see Section 5 on the financing activities.

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**9. RELATED PARTY TRANSACTIONS**

In the normal course of operations, in Q1-16:

- A company controlled by Normand Champigny, President and CEO, charged management fees of \$60,000 in Q1-15 (none in Q1-16). Normand Champigny was a salaried employee up to June 30, 2014.
- A company controlled by Ingrid Martin, CFO since April 30, 2014 and also a director (since October 2, 2014), charged \$25,810 (\$7,056 in Q1-15) of management fees as CFO. Also she charged \$4,678 (\$2,550 in Q1-15) of professional fees for her company's staff.

As at May 31, 2015, the balance due to the related parties amounted to \$25,094. In addition, \$66,000 is recorded in the other payables for the unpaid salaries and benefits of Normand Champigny.

**10. OUTSTANDING SHARE DATA**

The Corporation had the following securities issued and outstanding:

	<b>July 20, 2015</b>	<b>May 31, 2015</b>
Shares	42,843,626	40,294,859
Stock options	1,525,000	1,525,000
Warrants	23,566,189	23,566,189
Agent options and underlying warrants	831,978	831,978
	<b>68,766,793</b>	<b>66,218,026</b>

On December 19, 2014, the Corporation closed a non-brokered private placement of convertible debentures totaling \$375,000. The convertible debentures will mature in 24 months and bear interest at a rate of 12% per year, payable in cash or shares every six months, at a price per share based on the 20-day volume weighted average price of the common shares ("VWAP") and subject to the Exchange approval. The debentures are convertible into common shares at a price of \$0.13 during the term of the debenture. At the maturity date, each debenture can be repaid in cash or in shares at a price per share based on the VWAP, subject to Exchange approval.

**11. CHANGES IN ACCOUNTING POLICIES**

In preparing these condensed interim financial statements as at May 31, 2015, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended February 28, 2015.

**12. OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has not engaged in any off-balance sheet arrangements in Q1-16.

**13. RISKS AND UNCERTAINTIES**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of February 28, 2015.

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**14. FORWARD-LOOKING STATEMENTS**

This management's discussion and analysis contains forward looking statements reflecting Sphinx's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate", and "expect". As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Corporation's projections or expectations.

July 20, 2015

*(s) Normand Champigny* \_\_\_\_\_  
Normand Champigny  
Chief Executive Officer

*(s) Ingrid Martin* \_\_\_\_\_  
Ingrid Martin  
Chief Financial Officer