



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Six months ended August 31, 2015

# **SPHINX RESOURCES LTD.**

## **Management's Discussion and Analysis**

Six months ended August 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 the financial position of Sphinx Resources Ltd. (“Sphinx” or the “Corporation”) for the six months ended August 31, 2015 (“Q2-16”), together with certain trends and factors that are expected to have an impact on the Corporation 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
YTD Q2-15	March 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
YTD Q2-16	March 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 Q2-16 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 October 19, 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 purposes 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.

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

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.

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") and Gardin Inc. ("Gardin") respectively;
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, with Royal Nickel Corporation ("Royal Nickel") for the Marbridge project and with Globex Mining Enterprises Inc. ("Globex");
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 Québec. 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**

Concerning 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:

	Q2-16	Q2-15	YTD Q2-16	YTD Q2-15
	\$	\$	\$	\$
<b>Green Palladium</b>				
Drilling	113,382	-	155,907	-
Geology	59,647	-	91,170	-
Geophysics	58,485	-	58,485	-
Refundable tax credit for resources	(32,528)	-	(32,528)	-
Project acquisition and maintenance	-	-	160,185	-
	198,986	-	433,219	-
<b>Calumet Sud</b>				
Project acquisition and maintenance	41,538	-	41,538	-
	41,538	-	41,538	-
<b>Somanike</b>				
Drilling	8,561	-	159,055	-
Geology	8,150	-	27,200	-
Geophysics	(23,665)	-	47,500	-
Geochemistry	-	-	3,676	-
Refundable tax credit for resources	(3,994)	-	(3,994)	-
Project acquisition and maintenance	111,000	47,912	111,190	47,912
	100,052	47,912	344,627	47,912

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

	Q2-16	Q2-15	YTD Q2-16	YTD Q2-15
	\$	\$	\$	\$
<b>Samson</b>				
Drilling	58	-	132,604	-
Geology	250	-	16,099	-
Geophysics	-	-	35,299	-
Geochemistry	-	-	18,652	-
Project acquisition and maintenance	535	-	2,966	-
	843	-	205,620	-
<b>Adam</b>				
Geology	1,163	-	7,588	-
Geophysics	-	-	10,154	-
	1,163	-	17,742	-
<b>Valmond</b>				
Drilling	-	554	-	154,846
Geology	-	4,090	-	19,882
Geochemistry	-	1,559	-	33,395
Other	-	620	-	20,813
	-	6,823	-	228,936
<b>Project generation</b>				
Geology	-	-	3,921	-
	-	-	3,921	-
<b>Total exploration and evaluation expenditures</b>				
	<b>342,582</b>	<b>54,735</b>	<b>1,042,746</b>	<b>280,769</b>

**3.1 Green Palladium project**

**a) Project description**

On March 12, 2015, the Corporation signed a definitive agreement with Amixam for the acquisition of 100% of the Green Palladium project, located in the Regional Municipal County of Pontiac, adjacent to the Québec 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 satisfy the following exploration commitments, failing which the property will be returned to Amixam:

	Work	
	Commitment	Completed
	\$	\$
January 20, 2016	50,000	50,000
January 20, 2017	100,000	100,000
January 20, 2018	600,000	158,992
<b>Total</b>	<b>750,000</b>	<b>308,992</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.

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

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, an 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.

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.

**b) Exploration work on the project**

Earlier in 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, was 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.

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.

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

Reef stratigraphy comprised of metamelanogabbro and metapyroxenite has been observed in all other drill holes with the exception of one (1) hole drilled outside of the aforementioned geophysical anomaly. The mineralized reef horizon remains open in all directions.

The complete assay results for the remaining holes and other channels samples confirmed the extension of the stratabound PGE reef over a distance of 719 metres. The mineralized reef, which returned 3.44 g/t Pd+Pt+Au over 40 cm at the main showing area, was intersected in six (6) of the nine (9) holes. Drilling investigated only the top 50 m of the mineralized reef.

Channel samples taken from a 20 m by 5 m trench over the main showing area returned strongly anomalous PGE values and confirmed the surface exposure of the PGE reef horizon. Mineralization in the reef is open in all directions and is characterized by a combination of stratigraphy and highly anomalous PGE values. Regional compilation suggests an interpreted surface expression of the reef horizon over an estimated 11 kilometres.

Exploration results obtained to date are encouraging and must be put into the perspective that at producing PGE mines only two out of three drillholes show economic grades along the same reef. To better assess the full exploration potential of the Green Palladium PGE reef, the Corporation's exploration team has designed a program for the next phase of exploration that consists of: 1) a gamma ray spectrometric and magnetic survey performed by a drone, 2) a soil geochemical survey, 3) detailed surface mapping and prospecting, and 4) drilling of targets identified from the geophysical and geochemical surveys and prospecting results. Exploration in the project area is low cost and benefits from excellent infrastructure and community support.

**3.2 Calumet Sud Project**

**a) Project description**

On August 6, 2015, the Corporation signed a definitive agreement with Gardin for the acquisition of 100% of the Calumet Sud project in the Pontiac MRC in southwestern Québec. The Corporation acquired the project by issuing 1,384,615 common shares, valued at \$41,538 based on the Exchange share price of \$0.03 on the date of the share issuance. Another 1,923,077 common shares will be issued at the earliest on August 6, 2016 and 2,846,231 common shares at the earliest on August 6, 2017, under certain conditions. One of these conditions is that Gardin (and Gardin's affiliates and joint actors) would beneficially own no more than 19.9% of the common shares of Sphinx outstanding immediately after giving effect to such issuance. In addition the Corporation will: (i) make cash payments by the third anniversary to Gardin totaling \$93,000 in reimbursement of expenses spent by Gardin on the Project, and (ii) fund not less than \$350,000 in exploration expenditures over three years as follow:

	Work	
	Commitment	Completed
	\$	\$
August 6, 2016	50,000	-
August 6, 2017	100,000	-
August 6, 2018	200,000	-
<b>Total</b>	<b>350,000</b>	<b>-</b>

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

The Corporation must complete the share issuances, cash payments and exploration work, falling which the property will be return to Gardin. A 2% NSR royalty was granted to Gardin.

Michel Gauthier, president of Gardin and director of Amixam, was elected as a director of the Corporation on August 27, 2015.

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 Québec. 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 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 (Québec) 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, Québec. 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.

On June 15, 2015, the Corporation signed a definitive agreement to acquire 7 claims from Globex Mining Enterprises Inc. (“Globex”) in the area of the Somanike project, now 100% owned by the Corporation and located in the Abitibi region of Québec. Globex assigns, transfers and sells to Sphinx all of its rights, titles and interests in and to the Claims, for consideration that is comprised of:

1. 1,200,000 common shares of the Corporation valued at \$36,000; and
2. a graduated Gross Metal Royalty (“GMR”) defined as 1% of all metals produced from the Claims when the nickel (“Ni”) price quote is \$6.00 US/lb. or less, 1.5% GMR when it is greater than \$6.00 US/lb. but less than \$8.00 US/lb. and 2% GMR when it is \$8.00 US/lb. or greater.

In addition, the Corporation must complete the following exploration work, falling which the property will be returned to Globex:

	Work	
	Commitment	Completed
	\$	\$
June 15, 2016	100,000	-
June 15, 2017	100,000	-
June 15, 2018	100,000	-
June 15, 2019	100,000	-
June 15, 2020	100,000	-
<b>Total</b>	<b>500,000</b>	<b>-</b>

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

**b) Exploration work on the project**

High-grade mineralization has been intersected as part of the diamond drill program performed on the project during spring 2015. 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	535831 9	-52 / 158	54	203	149	Mostly ultramafic rocks No significant results			
SR-15-02 150 m	705568	535891 2	-48 / 158	57	60	3	Ultramafic rocks No significant results			
SR-15-04 220 m	707590	535793 5	-49.5 / 181	66	79	13	Ultramafic rocks No significant results			
SR-15-06 192 m	707590	535785 0	-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.

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:

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

	Payments in cash		Works	
	Commitment	Completed	Commitment	Completed
	\$	\$	\$	\$
Upon signing the agreement	40,000	40,000	-	-
September 3, 2015 <sup>1)</sup>	40,000	-	500,000	500,000
September 3, 2016	50,000	-	700,000	65,494
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>565,494</b>

1) Extension to the September 3, 2015 cash payment is under discussion.

**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.

**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	180,318
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>180,318</b>

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

**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.

**3.6 Valmond**

Due to exploration results below expectations, the Valmond agreement with Midland was terminated on August 11, 2015.

**3.7 Dollier**

Due to exploration results below expectations, the Dollier agreement with Cartier was terminated on August 5, 2015.

**4. RESULTS OF OPERATIONS**

**4.1 Tables presenting details of expenses**

General and administration expenses details are as follows:

	Q2-16	Q2-15	YTD Q2-16	YTD Q2-15
	\$	\$	\$	\$
Administration fees	-	-	-	30,000
Directors fees	9,000	6,000	18,000	12,000
Filing and transfer agent fees	12,386	15,616	20,685	19,987
Management fees	24,324	45,427	50,134	112,483
Office and miscellaneous	6,175	11,240	17,045	26,177
Professional fees	50,033	53,220	70,155	211,506
Promotion	19,504	23,883	51,483	75,671
Rent	-	773	-	(1,823)
Salaries and benefit	67,040	45,031	135,956	44,844
Share-based payments	573	-	1,719	-
Travel	6,949	6,955	9,201	18,106
<b>General and administration</b>	<b>195,984</b>	<b>208,145</b>	<b>374,378</b>	<b>548,951</b>

Finance costs details are as follows:

	Q2-16	Q2-15	YTD Q2-16	YTD Q2-15
	\$	\$	\$	\$
Accretion sublease reserve	408	559	816	1,118
Accretion of convertible debentures	205	-	22,545	-
Issuance costs on convertible debentures	1,287	-	2,574	-
Common shares issued in lieu of interest payment on convertible debentures	22,438		22,438	
Interest paid and accrued on loan payable	5,646	79,157	11,253	168,597
Interest accrued on tax credits payable	33,154		33,154	
<b>Finance costs</b>	<b>63,138</b>	<b>79,716</b>	<b>92,780</b>	<b>169,715</b>

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

**4.2 Discussion on Q2-16 financial position and results of operations**

For Q2-16, the Corporation reported a loss and comprehensive loss of \$592,008 (Q2-15 – \$340,732). The Corporation's loss per share was \$0.01 (Q2-15 - \$0.02).

See Section 3 for details of the exploration work done on the different projects totalling \$342,582 (Q2-15 - \$54,735).

**a) General and Administrative**

During Q2-16, general and administrative expenses decreased slightly to \$195,984 (Q2-15 - \$208,145) and highlights are as follows:

- Management fees, salaries and benefits. In Q2-16, the CEO and CFO were charging management fees. On July 1, 2014, the CEO became a salaried employee.
- Promotion. In March 2014, the Corporation hired Cor Capital Inc. to provide non-exclusive investor relations services and the fees were \$7,500 per month (with an initial payment in March 2014 of \$22,500). This contract was terminated as at June 30, 2015.

**b) Finance costs**

Interest paid in Q2-16 of \$5,646 (\$79,157 in Q2-15) relates 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.

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 convertible debentures issued by the Corporation on December 19, 2014.

Finally, \$33,154 of interest was accrued on the tax credits payable. This re-assessment is presently in an objection process as further described in the February 28, 2015 year-end financial statements.

**4.3 Discussion on YTD Q2-16 financial position and results of operations**

For YTD Q2-16, the Corporation reported a loss and comprehensive loss of \$1,333,814 (YTD Q2-15 – \$942,726). The Corporation's loss per share was \$0.03 (YTD Q2-15 - \$0.06).

See Section 3 for details of the exploration work done on the different projects totalling \$1,042,746 (YTD Q2-15 - \$280,769).

**a) General and Administrative**

During YTD Q2-16, general and administrative expenses decreased to \$374,378 (YTD Q2-15 - \$548,951) 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 YTD Q2-16, the CEO and CFO were charging management fees. On July 1, 2014, the CEO became a salaried employee.
- Professional fees decreased to \$70,155 (\$211,506 in YTD Q2-15). In YTD Q2-15, the majority of the professional fees were incurred in relation to the evaluation and acquisition of exploration and mining projects.

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

- Promotion. In March 2014, the Corporation hired Cor Capital Inc. to provide non-exclusive investor relations services and the fees were \$7,500 per month (with an initial payment in March 2014 of \$22,500). This contract was terminated as at June 30, 2015.

**b) Finance costs**

Interest paid in YTD Q2-16 of \$11,253 (\$168,597 in YTD Q2-15) relates 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.

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 convertible debentures issued by the Corporation on December 19, 2014. The accretion expense for the convertible debenture was \$22,545 (none in YTD Q2-15).

Finally, \$33,154 of interest was accrued on the tax credits payable. This re-assessment is presently in an objection process as further described in the February 28, 2015 year-end financial statements.

**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. By August 31, 2015, the Corporation had completed all the resources expenditures relating to the \$779,548 flow-through financing completed in December 2014.

**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 \$1,333,814 in YTD Q2-16 and has an accumulated deficit of \$69,892,339 as at August 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 August 31, 2015, the Corporation had a negative working capital of \$120,779.

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.

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**6. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES (CONT'D)**

In YTD Q2-16, there were no major sources of cash. Major uses of cash during YTD Q2-16 were approximately \$873,525 on operating activities.

**6.1 Loan Payable**

As at August 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 August 31, 2016:

	<b>Up to August 31, 2016</b>
	\$
Cash August 31, 2015	19,905
Cash inflows:	
Tax credit received and tax payments	509,368
Cash outflows	
Operating expenses	(600,000)
Payables as at August 31, 2015	(375,202)
Exploration budget as per project agreements	(158,000)
Staking and property maintenance	(83,000)
Loan repayment	(160,000)
Finance costs	(7,570)
<b>Net outflow projection</b>	<b>(854,499)</b>

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. While Management 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 Management is unable to obtain new funding, 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.

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**7. SELECTED QUARTERLY INFORMATION**

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

	<b>Q2-16</b>	<b>Q1-16</b>	<b>Q4-15</b>	<b>Q3-15</b>
	\$	\$	\$	\$
Interest income	83	694	1,862	586
Loss	(592,008)	(741,806)	(606,321)	(944,920)
Loss per share	(0.01)	(0.02)	(0.02)	(0.04)
Working capital (deficiency)	(120,779)	300,011	856,636	(86,025)
Total assets	876,606	1,169,814	1,905,678	2,014,277

  

	<b>Q2-15</b>	<b>Q1-15</b>	<b>Q4-14</b>	<b>Q3-14</b>
	\$	\$	\$	\$
Interest income	678	2,456	2,613	3,387
Earnings (loss)	(340,732)	(601,994)	912,094	(848,967)
Earnings (loss) per share	(0.02)	(0.04)	0.19	(0.16)
Working capital (deficiency)	(826,895)	(1,297,488)	(851,572)	(4,778,342)
Total assets	1,820,705	3,801,522	4,843,169	3,642,132

Highlights for each quarter are as follows.

**7.1 Q2-16**

Exploration expenditures totalling \$226,031 were spent mostly on the Green Palladium.

The Corporation signed an acquisition agreement for the Marbridge and Calumet Sud projects as well as acquiring 7 claims from Globex.

**7.2 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.

**7.3 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.

**7.4 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.



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

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.

**7.5 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.

**7.6 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.

**7.7 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.

**7.8 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.

**8. SUBSEQUENT EVENTS**

The Corporation has no subsequent event to report.

**9. RELATED PARTY TRANSACTIONS**

In the normal course of operations, in YTD Q2-16:

- A company controlled by Normand Champigny, President and CEO, charged management fees of \$80,000 in YTD Q2-15 (none in YTD Q2-16). On July 1, 2014, the CEO became a salaried employee. As at August 31, 2015, a accrual of \$108,900 was recorded for Normand Champigny salary and benefits.

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**9. RELATED PARTY TRANSACTIONS (CONT'D)**

- A company controlled by Ingrid Martin, CFO since April 30, 2014, charged \$50,133 (\$32,483 in YTD Q2-15) of management fees as CFO. Also she charged \$11,498 (\$12,543 in YTD Q2-15) of professional fees for her company's staff. As at August 31, 2015, a balance of \$35,141 is due for these services.
- Michel Gauthier is a director of the Corporation since August 27, 2015. As at August 31, 2015, an amount of \$32,001 is still owed to a company controlled by Michel Gauthier on exploration fees and expenses prior to August 27, 2015.

**10. OUTSTANDING SHARE DATA**

The Corporation had the following securities issued and outstanding:

	<b>October 19, 2015</b>	<b>August 31, 2015</b>
Shares	45,428,241	45,428,241
Stock options	1,500,000	1,500,000
Warrants	23,566,189	23,566,189
Agent options and underlying warrants	831,978	831,978
	<b>71,326,408</b>	<b>71,326,408</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 August 31, 2015, the significant judgments 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 YTD Q2-16.

**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.

October 19, 2015

*(s) Normand Champigny*

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Normand Champigny  
Chief Executive Officer

*(s) Ingrid Martin*

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Ingrid Martin  
Chief Financial Officer