



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Quarterly Highlights

Three months ended May 31, 2017

# SPHINX RESOURCES LTD.

## Management's Discussion and Analysis – Quarterly Highlights

Three months ended May 31, 2017

This Management's Discussion and Analysis – Quarterly Highlights ("MD&A Highlights") 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") for the three months ended May 31, 2017 ("Q1-18"), together with certain trends and factors that are expected to have an impact in the future. This MD&A Highlights should be read in conjunction with the Corporation's condensed interim financial statements as at May 31, 2017 prepared in accordance with the International Financial Reporting Standards ("IFRS"), as well as with the management discussion and analysis for the year ended February 28, 2017. All dollar amounts are expressed in Canadian dollars, the functional currency of the Corporation, unless otherwise stated.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on [www.sedar.com](http://www.sedar.com). The following abbreviations are used to describe the periods under review throughout this MD&A Highlights:

Abbreviation	Period
Fiscal 2016	March 1, 2015 – February 29, 2016
Q1-17	March 1, 2016 – May 31, 2016
Q2-17	June 1, 2016– August 31, 2016
Q3-17	September 1, 2016 – November 30, 2016
Q4-17	December 1, 2016 - February 28, 2017
Fiscal 2017	March 1, 2016 – February 28, 2017
Q1-18	March 1, 2017 – May 31, 2017
Q2-18	June 1, 2017– August 31, 2017
Q3-18	September 1, 2017 – November 30, 2017
Q4-18	December 1, 2017 - February 28, 2018
Fiscal 2018	March 1, 2017 – February 28, 2018

The technical information contained in this MD&A Highlights 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. NATURE OF ACTIVITIES

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

### 2. OVERVIEW OF THE CORPORATION

#### 2.1 Strategy

Sphinx's strategy is to generate or acquire quality projects with good social acceptability, low cost exploration by ensuring year-round ground access, and a focus on precious metals and high-grade zinc. Sphinx will maintain a diverse portfolio of projects with various levels of advancement in different high grade metamorphic terranes, which have been often overlooked for their precious metals and zinc potential. To execute on this strategy, the Corporation relies on a team of recognized mine finders with significant experience in exploration project generation. Sphinx will concentrate first on Quebec with potential expansion into other Canadian provinces.

To support this strategy Sphinx has formed two partnerships:

- one with Sirios Resources Inc. ("Sirios") on the Chechoo-Eleonore Trend project in the Eeyou Istchee James Bay territory; and
- one with SOQUEM, a subsidiary of Investissement Québec and a leading player in mineral exploration in Québec, on the Calumet-Sud project.

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## 2. OVERALL PERFORMANCE (CONT'D)

### 2.2 Working capital

As of May 31, 2017, the Corporation has a working capital of \$1,246,066 (\$1,645,145 as at February 28, 2017). The Corporation has sufficient funds to complete the announced and planned exploration programs on four projects.

## 3. EXPLORATION PROJECTS

For mineral exploration projects 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:

	Q1-18	Q1-17
	\$	\$
<b>Cheechoo-Éléonore Trend</b>		
Geology	42,631	-
Recharge to partner	(6,865)	-
Tax credits	(15,611)	-
	20,155	-
<b>Calumet-Sud</b>		
Project acquisition and maintenance	-	31
Option payment received	-	(7,000)
Drilling	3,350	-
Geology	1,045	1,141
Geophysics	-	-
Recharge to partner	(2,720)	-
Tax credits	(565)	(385)
	1,110	(6,213)
<b>Green Palladium</b>		
Project acquisition and maintenance	234	5,198
Drilling	139,311	-
Geology	40,660	5,737
Geophysics	9,522	-
Tax credits	(63,974)	(1,936)
	125,753	8,999
<b>Chemin Troilus</b>		
Project acquisition and maintenance	1,632	2,327
Drilling	110	-
Geology	52,413	-
Geophysics	28,700	-
Line cutting	12,240	-
Geochemistry	12,935	-
Tax credits	(46,443)	-
	61,587	2,327

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

	Q1-18	Q1-17
	\$	\$
<b>Somanike Globex</b>		
Project acquisition and maintenance	1,030	5,352
Geology	3,644	22,043
Tax credits	(1,229)	(7,443)
	3,445	19,952
<b>Generation</b>		
Geology	200	-
Tax credits	(68)	-
	132	-
<b>Total exploration and evaluation expenditures</b>	<b>212,182</b>	<b>25,065</b>

#### 3.1 Cheechoo-Éléonore Trend project

##### a) Project description

The project consists of 551 claims (286 km<sup>2</sup>) along the northwest extension of the Cheechoo-Éléonore trend, located in the Eeyou Istchee James Bay territory, Québec. On August 23, 2016, the Corporation signed a letter of agreement to form a 50-50% joint venture with Sirios Resources Inc. ("Sirios") to explore the claims that are presently under request along the northwest extension of the Cheechoo-Éléonore trend.

##### b) Exploration work on the project

In May 2017, four prospective areas for gold mineralization have been identified on the basis of results received following the completion of the till sampling program carried out in 2016 on the project. Based on these results, a follow-up program has been approved for 2017. Sphinx and Sirios consider that these results are indicative of the prospectivity of the sampled areas. The two objectives of this first till survey were to provide a preliminary assessment of the Project's gold potential and to identify prospective areas for follow-up in 2017.

A second till sampling program up-ice of the glacial flow direction with a tighter spacing than in 2016 as well as follow-up prospecting is underway on the four prospective areas. The program has been designed to ensure a rapid and efficient follow-up of the explored areas in the field through: 1) the multi-element determination of pressed till pellets using a portable XRF equipment, and 2) the identification of gold particles of the -4mm fraction of the till using a conical-shaped gold pan developed by Inlandsis followed by particle counting using a binocular microscope. The project's management committee approved a budget of \$ 200,000 to carry out this first phase of the 2017 program.

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

##### 3.2 Calumet-Sud zinc-lead-silver-gold project

###### a) Project description

The project consists of 21 claims (12 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 also adjacent to its 100% owned Green Palladium project.

The Calumet-Sud project was acquired in 2015 from Gardin Inc. ("Gardin"). Sphinx must issue 2,846,231 common shares at the earliest on August 6, 2017, to Gardin and comply with certain conditions. On March 25, 2016, the Corporation signed an option and joint venture agreement with SOQUEM to grant SOQUEM the option to acquire an undivided 50% interest in the Calumet-Sud project. SOQUEM will be the operator during the option period. Upon the exercise of the option, a joint venture would be created between the Corporation and SOQUEM.

Before March 31, 2016, SOQUEM paid \$93,000 to Gardin and \$7,000 to the Corporation. Also, SOQUEM must fund \$450,000 in exploration expenditures as follows:

	Work	
	Commitment	Completed
	\$	\$
On or before February 27, 2017	100,000	100,000
On or before August 31, 2018	150,000	150,000
On or before February 28, 2020	200,000	166,107
<b>Total</b>	<b>450,000</b>	<b>416,107</b>

###### b) Exploration work on the project

Sphinx and SOQUEM have undertaken a ground gravity and induced polarization survey on the Sonny Zone and Sonny West Zone zinc targets. These geophysical surveys aim to identify the best targets for a drill program in the winter or during the late winter and spring of 2017.

A 13-hole drilling program totalling 1,098.5 m, has been completed. Three holes intersected semi-massive to massive sphalerite horizons with thicknesses ranging from one centimeter to several centimeters spread over several metres. Assay results are expected in late spring. The program was designed to test coincident ground geophysical and geochemical anomalies related to surface mineralization identified in surface channel samples.

Three drillholes (4000-17-03, 4000-17-10 and 4000-17-12) intersected semi-massive to massive sphalerite horizons with thicknesses ranging from one centimeter to several centimeters spread over several metres. In the drillcore of the other 10 holes, disseminated sphalerite was observed in dolomitic marble horizons of ranging in thickness from one metre to several metres. Drillhole 4000-17-02 is situated about 1,200 m north of the Sonny Zone and 500 m south of the workings of the old New Calumet mine (produced 3.8 million tonnes of ore grading 5.8% Zn, 1.6% Pb, 65 g/t Ag and 0.4 g/t Au from 1943 to 1968), whose property is adjacent to the project. Assay results are expected in early summer.

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

##### 3.3 Green Palladium project

###### a) Project description

The project consists of 86 claims (49 km<sup>2</sup>) located in the MRC Pontiac region in southwestern Quebec. The Corporation must satisfy the following exploration commitments as per the March 12, 2015 definitive agreement, failing which the project will be returned to Gardin:

	Work	
	Commitment	Completed
	\$	\$
On or before January 20, 2016	50,000	50,000
On or before January 20, 2017	100,000	100,000
On or before January 20, 2018	600,000	527,365
<b>Total</b>	<b>750,000</b>	<b>677,365</b>

###### b) Exploration work on the project

A drilling program of ten (10) holes totalling 969 m, has been completed. Geological continuity of the mineralized reef over an 800-metre length, has been confirmed. Complete assay results are expected at the beginning of summer.

The program was designed to test new targets developed from the airborne survey completed in 2016 and from geological interpretation of previous drill results. These targets are situated on the 800-metre long mineralized reef already traced in 2015 and on potential new horizons that are untested.

Observations of the drill core samples from the new holes as well as surface stripping of a new area along the mineralized reef, confirmed the geological continuity of the reef over an 800-metre length. In addition, four (4) holes were drilled north of the area stripped in 2015 that returned mineralized grab samples from the reef horizon with values of 3.3 g/t, 2.3 g/t and 0.6 g/t Pd and 3.2%, 3.3% and 0.2% Cu respectively (press release of January 15, 2015). Three (3) holes intersected sulphide mineralization within the targeted reef horizon similar to that in the surface stripped area with mineralized intervals of up to three metres, (drilled width only). Mineralization consists of semi-massive chalcopyrite and pyrrhotite forming an anastomosed stockwork ranging between 5% and 30 % in volume. These intercepts suggest a plunge to mineralization down-dip and to the northeast. Also noted is an apparent thickening of both the reef and mineralization from surface exposures. This is the most continuous mineralization yet intersected.

All results will be disclosed when the analyses are completed and when quality assurance and quality control procedures (QA/QC) and data interpretation are finalized towards the beginning of summer.

##### 3.4 Chemin Troilus gold project

###### a) Project description

The Chemin Troilus project consists of 61 claims (33 km<sup>2</sup>) located is located 110 km north-north-west of the town of Chibougamau in the Eeyou Istchee James Bay Territory James Bay region, Québec along existing road access to the Troilus gold mine and therefore exploration can be carried out year-round and at a relatively low cost. The project is 25 km southwest of the Troilus Mine along a gold-copper corridor trending north-east. This corridor is located at the northern limit of the Archean Frotet-Evans greenstone belt, in the Opatica geological subprovince of the Superior Province and it includes the Troilus Mine.

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

##### b) Exploration work on the project

High priority drill targets have been identified following the completion of a ground magnetic survey and an induced polarization (“IP”) survey conducted earlier this spring. The integration of data from these geophysical surveys with the results obtained in 2016 from both the till sampling program and prospecting campaign has generated targets. At the end of June 2017, Sphinx announced the beginning of a seven (7) drill hole program, totalling approximately 500 m, on its 100% owned and undrilled. This program is designed to test the high priority drill as well as both the presence of gold grains in tills and boulders. The objective of the drilling program is to discover the primary source of the gold indicators. Assay results are expected toward the end of the summer.

In addition to the drilling program, a new till sampling program will be carried out by a team of specialists to cover the entire project area.

#### 3.5 Somanike nickel-gold-base metals project

##### a) Project description

The Somanike project comprises 95 claims (45 km<sup>2</sup>), and includes the former Marbridge mine concessions, “Marbridge”), and is located about 25 km north-west of the town of Malartic, in the Abitibi region of Québec. The Somanike project was named as part of the signing of a cooperation agreement between Sphinx and the Abitibiwinni first nation, based at Pikogan, Québec.

The Corporation must complete the following exploration work on 7 of the 86 claims according to the June 15, 2015 (amended on June 7, 2016) definitive agreement, failing which the project will be returned to Globex Mining Enterprises Inc. (“Globex”):

	Work	
	Commitment	Completed
	\$	\$
On or before June 15, 2018	300,000	11,100
On or before June 15, 2019	100,000	-
On or before June 15, 2020	100,000	-
<b>Total</b>	<b>500,000</b>	<b>11,100</b>

##### b) Exploration work on the project

On the basis of the results obtained to date, Sphinx is designing a follow-up exploration program which includes drilling of high priority targets.

Compilation of all historical drill data in conjunction with the helicopter-borne survey performed by Sphinx in 2014 identified previously unrecognized sulphide iron formations occurring across the project. These formations may be prospective for gold mineralization. Numerous drill targets have been generated. The Corporation is actively seeking a partner to fund the next exploration program.

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#### 4. RESULTS OF OPERATIONS

General and administration expenses details are as follows:

	Q1-18	Q1-17
	\$	\$
Directors fees	12,000	12,000
Filing and transfer agent fees	3,700	1,931
Management fees	10,984	15,334
Office and miscellaneous	7,196	8,599
Professional fees	10,233	10,258
Promotion	87,479	2,120
Salaries and benefit	34,813	30,084
Travel	15,444	1,130
<b>General and administration</b>	<b>181,849</b>	<b>81,456</b>

With respect to promotion, the CEO has launched several initiatives to raise awareness of the Corporation including meetings with potential investors in the USA, design and adoption on an improved communication plan and the enhancements to the web site.

Finance costs details are as follows:

	Q1-18	Q1-17
	\$	\$
Accretion sublease reserve	365	254
Accretion of convertible debentures	8,943	26,398
Issuance costs on convertible debentures	-	1,287
<b>Finance costs</b>	<b>27,939</b>	<b>29,642</b>

In Q1-18, the Corporation reported a loss of \$401,819 (\$134,460 in Q1-17).

July 10, 2017

*(s) Normand Champigny*

Normand Champigny  
Chief Executive Officer

*(s) Ingrid Martin*

Ingrid Martin  
Chief Financial Officer