SPHINX

FINANCIAL STATEMENTS

Years Ended February 28, 2018 and 2017

June 11, 2018

Independent Auditor's Report

To the Shareholders of
Sphinx Resources Ltd.

We have audited the accompanying financial statements of Sphinx Resources Ltd., which comprise the statements of financial position as at February 28, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sphinx Resources Ltd. as at February 28, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sphinx Resources Ltd.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA Auditor, CA, public accountancy permit nº A123642

SPHINX RESOURCES LTD.

Statements of Financial Position

As at February 28, 2018 and 2017

(In Canadian Dollars)

	Notes	February 28, 2018	February 28, 2017
		$	$
ASSETS			
Current assets			
Cash	**5**	72,271	1,754,951
Accounts receivable		68,665	9,156
Sales tax receivables		16,546	32,032
Tax credits receivable	**6**	384,017	40,111
Prepaid expenses		33,994	22,514
Total current assets		575,493	1,858,764
Non-current assets			
Non-current portion of tax credits receivable	**6**	43,570	28,675
Total non-current assets		43,570	28,675
TOTAL ASSETS		**619,063**	**1,887,439**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		162,800	147,099
Flow-through share premium		6,438	-
Sublease reserve	**9**	-	66,520
Current portion of convertible debentures	**10**	133,097	-
Total current liabilities		302,335	213,619
Non-current liabilities			
Convertible debentures	**10**	-	113,897
Total non-current liabilities		-	113,897
Total liabilities		**302,335**	**327,516**
Equity			
Capital stock	**11**	60,095,152	59,784,982
Equity component of convertible debentures	**10**	38,542	38,542
Warrants		1,900,048	1,871,943
Contributed surplus		10,115,840	10,115,840
Deficit		(71,832,854)	(70,251,384)
Total equity		316,728	1,559,923
TOTAL LIABILITIES AND EQUITY		**619,063**	**1,887,439**
Going concern	**1**		
Subsequent events	**20**		

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors

(S) Normand Champigny, Director *(S) John W.W. Hick,* Director

SPHINX RESOURCES LTD.

Statements of Loss and Comprehensive Loss

Years ended February 28, 2018 and 2017

(In Canadian Dollars)

	Notes	Year ended February 28, 2018	February 28, 2017
		$	$
Revenues			
Project management fees		9,160	-
Expenses			
Exploration and evaluation expenditures	**7**	880,192	381,600
General and administrative	**13**	736,414	665,533
Operating loss		(1,607,446)	(1,047,133)
Other expenses (income)			
Interest income		(2,454)	(302)
Finance costs	**14**	37,558	180,082
Loss before income taxes		**(1,642,550)**	**(1,226,913)**
Current tax recovery	**4**	43,570	540,661
Flow-through share premium		17,510	-
Loss and comprehensive loss		**(1,581,470)**	**(686,252)**
Weighted average number of common shares outstanding - basic and diluted		86,968,452	51,893,704
Basic and diluted loss per common share		(0.02)	(0.01)

The accompanying notes are an integral part of the financial statements.

SPHINX RESOURCES LTD.

Statements of Changes in Equity

Years ended February 28, 2018 and 2017

(In Canadian Dollars)

	Notes	Common Shares Number	Capital Stock	Equity component of convertible debentures	Warrants	Contributed Surplus	Deficit	Total Equity
		(Note 11)	$	$	$	$	$	$
Balance at February 29, 2016		**46,637,478**	**58,261,425**	**62,949**	**1,232,937**	**9,904,454**	**(69,241,917)**	**219,848**
Shares issued for:								
Private placements		28,910,165	1,250,923	-	428,387	-	-	1,679,310
Project acquisition		2,923,077	106,923	-	-	-	-	106,923
Conversion of convertible debenture	10	4,500,000	262,770	(37,770)	-	-	-	225,000
Impact of convertible debenture extension	10	-	-	13,363	-	25,179	-	38,542
Interest on convertible debenture		900,081	45,004	-	-	-	-	45,004
Issuance costs		-	(142,063)	-	(48,373)	33,534	-	(156,902)
Warrants expired		-	-	-	(64,223)	64,223	-	-
Impact of warrant extension	10	-	-	-	323,215	-	(323,215)	-
Share-based payments		-	-	-	-	88,450	-	88,450
Loss and comprehensive loss		-	-	-	-	-	(686,252)	(686,252)
Balance at February 28, 2017		**83,870,801**	**59,784,982**	**38,542**	**1,871,943**	**10,115,840**	**(70,251,384)**	**1,559,923**
Shares issued for:								
Private placements		1,244,000	46,650	-	15,550	-	-	62,200
Private placements – Flow through		2,856,616	168,555	-	17,125	-	-	185,680
Flow-through premium		-	(28,566)	-	-	-	-	(28,566)
Project acquisition	7	2,946,154	133,577	-	-	-	-	133,577
Interest on convertible debentures	10	318,465	17,993	-	-	-	-	17,993
Issuance costs		-	(28,039)	-	(4,570)	-	-	(32,609)
Loss and comprehensive loss		-	-	-	-	-	(1,581,470)	(1,581,470)
Balance at February 28, 2018		**91,236,036**	**60,095,152**	**38,542**	**1,900,048**	**10,115,840**	**(71,832,854)**	**316,728**

The accompanying notes are an integral part of the financial statements.

SPHINX RESOURCES LTD.

Statements of Cash Flows

Years ended February 28, 2018 and 2017

(In Canadian Dollars)

	Notes	Year ended February 28, 2018	February 28, 2017
		$	$
Operating activities			
Loss for the year		(1,581,470)	(686,252)
Adjustments for:			
Share-based payments	**12**	-	88,450
Shares issued for project acquisition		133,577	106,923
Shares issued for interest on convertible debt	**14**	17,993	45,004
Finance income		(2,454)	(302)
Finance costs		19,565	135,078
Flow-through shares premium		(17,510)	-
Changes in non-cash working capital items:	**18**	(465,488)	597,114
Cash flow from (used) in operating activities		**(1,895,787)**	**286,015**
Financing activities			
Finance costs paid	**8**	-	(8,664)
Loan payable repayments	**8**	-	(160,000)
Common shares issued		62,200	1,679,310
Common shares issued – flow-through		185,680	-
Issue costs		(37,227)	(156,902)
Cash flow used in financing activities		**210,653**	**1,353,744**
Investing activities			
Finance income received		2,454	302
Disbursement – promissory note	**14**	-	(85,000)
Cash flow from (used) investing activities		**2,454**	**(84,698)**
Change in cash during the year		(1,682,680)	1,555,061
Cash, beginning of year		1,754,951	199,890
Cash, end of year		**72,271**	**1,754,951**
Supplemental cash flow information	**18**		

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

Sphinx Resources Ltd. (the "Corporation") was incorporated on June 28, 2005 and is governed by the *Canada Business Corporations Act*. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "SFX". The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. The Corporation's head office is situated at 1000, De La Gauchetière West, Suite 2100, Montreal, Quebec, H3B 4W5.

The financial statements of the Corporation for the fiscal year ended February 28, 2018 were reviewed, approved and authorized for issue by the Board of Directors on June 11, 2018.

The measurement of certain assets and liabilities is dependent on future events; therefore the preparation of these financial statements requires the use of estimates, which may vary from actual results. The success of the Corporation's exploration and evaluation activities is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Corporation to discover economically recoverable reserves.

1.1 Basis of presentation and going concern

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB'). They were prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, senior management of the Corporation ("Management") takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

The Corporation recorded a loss of $1,581,470 for the year ended February 28, 2018 ($686,252 for the year ended February 28, 2017), and has an accumulated deficit of $71,832,854 as at February 28, 2018 ($70,251,384 as at February 28, 2017). 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 February 28, 2018, the Corporation has a working capital of $273,158 ($1,645,145 as at February 28, 2017), of which $45,460 must be dedicated to exploration work according to the restriction imposed by the November 1, 2017 flow-through financing. These conditions indicate the existence of material uncertainties that may cast a significant doubt regarding the Company's ability to continue as a going concern.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

2.2 Interest income

Interest income from financial assets is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars. The financial statements of the Corporation are presented in its functional currency, which is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the functional currency at the rate of exchange prevailing on the date of each transaction.

2.4 Exploration and evaluation expenditures

Exploration and evaluation activity on mineral interests involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include but are not limited to the following items:

- acquiring the rights to explore;
- researching and analyzing historical data;
- gathering exploration data through topographical, geological, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- preparing pre-feasibility and feasibility studies.

Exploration and evaluation expenditures are charged to operations as they are incurred with the exception of expenditures capitalized to mine development costs.

2.5 Share-based payments

Employees (including directors and senior executives) of the Corporation may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.7 Flow-through shares

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, the flow-through share premium, which is subsequently reversed into earnings as eligible expenditures are incurred, if the Corporation has the intention to renounce the expenditures. The Corporation recognizes in the statement of comprehensive loss a flow-through share premium and a deferred tax liability for flow-through shares (when applicable), at the moment the eligible expenditures are incurred.

2.8 Tax credits receivable

Tax credits receivable relate to refundable tax credits and mining duties refund from the Québec provincial government. These tax credits are accrued based on a percentage of net eligible resource expenditures incurred in Québec and recognized as a reduction of eligible expenditures, in the case of the refundable tax credits, and as current tax recovery in the case of mining duties refund.

2.9 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During the years ended February 28, 2018 and February 29, 2017, all the outstanding common share equivalents were anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

a) Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Effective until February 28, 2017

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Cash and accounts receivable are classified as Loans and receivables.

Effective March 1, 2017

Amortized cost
Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and accounts receivable are classified within this category.

b) Financial liabilities

Effective for all periods presented

Financial liabilities measured at amortized cost
Trade and others payables and convertible debentures are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Impairment of financial assets

Effective March 1, 2017

Amortized cost:
The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases. The Company applies the simplified approach permitted by IFRS 9 for trade receivables (including amounts receivable from associates and other receivables), which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

Effective until September 30, 2016

All financial assets are subject to review for impairment periodically. Financial assets are impaired only if there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:
- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

2.11 Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit, using the Black-Scholes pricing model to determine the fair value of warrants issued.

2.12 Convertible debentures

The liability, equity and other components of convertible notes (when applicable) are presented separately on the statement of financial position, starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes, and is presented in Equity as an equity component of convertible notes. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other components (when applicable), on a pro-rata basis according to their carrying amounts.

(In Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition

The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the exploration work recharged to the partners are incurred.

3. CHANGES IN ACCOUNTING POLICIES

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these financial statements are listed below.

3.1 Accounting standards adopted in current fiscal year

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective March 1, 2017. These changes were made in accordance with the applicable transitional provisions.

a) IFRS 9 – Financial instruments ("IFRS 9")

The Corporation has elected to early adopt the requirements of *IFRS 9, Financial Instruments* with a date of initial application of March 1, 2017. This standard replaces *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 eliminates the classification of financial instruments as "available-for-sale" and "held to maturity" and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting, and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in the IAS 39 for classification and measurement of financial liabilities and for the derecognition of financial assets were carried forward in IFRS 9.

The following table summarizes the classification and measurement changes for the Corporation's financial assets (none for the financial liabilities) as a result of the adoption of IFRS 9.

	IAS 39	IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost

The measurement for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9.

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on March 1, 2017 were reclassified retrospectively without prior period restatement based on the new classification requirements taking into account the business model under which they are held at March 1, 2017 and the cash flow characteristics of the financial assets at their date of initial recognition.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

No measurement adjustments were required to the opening balances as at March 1, 2017.

b) IFRS 15 Revenue from contracts and IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, *Leases* ("IAS 17"), and related interpretations. Save for short term leases and leases of low value assets, all leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the statement of loss and comprehensive loss.

The new standard is effective for annual periods beginning on or after January 1, 2019 with an early adoption permitted if IFRS 15 Revenue from contracts with customers is also applied. Management elected to early adopt IFRS 15 and IFRS 16. In accordance with the transition provision in IFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the standard on the date of initial application. There were no effects of initially applying the new standard on March 1, 2017.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS

The preparation of these financial statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical judgments exercised in applying accounting policies with the most significant effect on the amounts recognized in the financial statements are as follows:

a) Recognition of deferred income tax assets and the measurement of income tax expense

Periodically, the Corporation evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires Management to make significant judgment.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS (CONT'D)

a) Tax credits receivable

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Corporation must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. Should such a difference arise, an adjustment would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Corporation. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Corporation expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Corporation's best estimates and according to its best judgment, as stated above. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows.

i) Refundable tax credit for resources

In April 2016, the Corporation was informed by Revenu Québec of a resolution in favour of the Corporation of the objection process related to the refundable tax credit for resources for fiscal years 2009, 2010 and 2011. Therefore all payables accrued previously for reassessment were reversed for a net of $504,223. In addition, a $234,217 receivable was recorded which represented the portion of the amount already paid that it was expected to be recovered for fiscal years 2009, 2010 and 2011.

ii) Quebec refundable credits on mining duties for losses

As at February 29, 2016, as part of the same process described in i) above, the provision accrued previously for reassessment relating to operating fees paid to Glencore was reversed for $62,814 as current tax recovery. Finally in January 2017, $540,661 Quebec refundable credits on mining duties for losses were received and recorded as current tax recovery.

b) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future cash flows from operations and events that are believed to be reasonable under the circumstances.

5. CASH

As of February 28, 2018, the balance on flow-through financing not spent according to the restrictions imposed by the November 1, 2017 financing represented $45,460 and was included in cash. The Corporation had to dedicate these funds to Canadian mining properties exploration activities and that work has to be completed by December 31, 2018.

(In Canadian Dollars)

6. TAX CREDITS RECEIVABLE

	February 28, 2018	February 28, 2017
	$	$
Refundable tax credit for resources	382,586	51,522
Quebec refundable credits on mining duties for losses	45,001	17,264
Total tax credits receivable	427,587	68,786
Less: non-current portion of tax credits receivable	(43,570)	(28,675)
Tax credits receivable – current	**384,017**	**40,111**

7. MINERAL PROPERTIES

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:

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 28, 2017
	$	$	$	$
Calumet-Sud	70,156	1,481	(348)	71,289
GPd	8,616	122,112	(41,377)	89,351
Cheechoo-Éléonore Trend	38,085	52,853	(23,070)	67,868
Chemin Troïlus	68,743	61,919	(27,028)	103,634
Somanike	3,941	61,723	(20,603)	45,061
Generation	-	6,637	(2,240)	4,397
Total exploration and evaluation expenditures	**189,541**	306,725	(114,666)	**381,600**

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 28, 2018
	$	$	$	$
Calumet-Sud	128,602	187,739	(25,923)	290,418
Tessouat	31,500	14,830	(4,049)	42,281
Tessouat-Sud	19,747	4,041	(692)	23,096
Obwondiag	6,418	219	(56)	6,581
GPd	1,096	258,700	(63,549)	196,247
Cheechoo-Éléonore Trend	-	198,874	(73,578)	125,296
Chemin Troïlus	1,632	297,318	(114,750)	184,200
Somanike	5,787	4,993	(1,127)	9,653
Generation	560	2,500	(640)	2,420
Total exploration and evaluation expenditures	**195,342**	969,214	(284,364)	**880,192**

7. MINERAL PROPERTIES (CONT'D)

7.1 Calumet-Sud Project

On August 6, 2015 (amended on March 25, 2016), the Corporation signed a definitive agreement with Gardin Inc. ("Gardin") for the acquisition of 100% of the Calumet-Sud project in the Pontiac MRC in southwestern Quebec. 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. Subsequently, 1,923,077 and 2,846,231 common shares were issued in August 2016 and July 2017, valued at $76,923 and $128,077, based on the Exchange share price of $0.04 and $0.045 on the date of the share issuance. One of the conditions for the share issuances is that Gardin (and Gardin's affiliates and joint actors) would beneficially own no more that 19.9% of the common shares outstanding immediately after giving effect to such issuance. The Corporation completed all the exploration work under the definitive agreement with Gardin. A 2% net smelter return (''NSR'') royalty was granted to Gardin. Gardin is a company controlled by a director of the Corporation.

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 was the operator during the option period.

By March 31, 2016, SOQUEM paid $93,000 to Gardin and $7,000 to the Corporation. On September 22, 2017, SOQUEM had completed its $450,000 exploration expenditure commitment and exercised its option to acquire a 50% interest in the Calumet-Sud project. The Corporation is the operator of the project since September 22, 2017.

7.2 Tessouat project

On August 1, 2017, the Corporation signed an agreement with Ressources Tranchemontagne Inc. (controlled by the same director of the Corporation that controls Gardin) and Gardin to acquire 100% of the Tessouat project, located in the Pontiac MRC in southwestern Quebec, for a consideration that consists of: payment of $26,000 (completed in September 2017), issuance of 100,000 common shares (valued at $5,500, completed in September 2017), completion of $70,000 of exploration work prior to August 1, 2019 ($14,830 completed) and a 2% NSR royalty.

7.3 Tessouat-Sud project

In the summer 2017, the Corporation staked the Tessouat-Sud project, located in the Pontiac MRC in southwestern Quebec.

7.4 Obwondiag project

In the summer 2017, the Corporation staked the Obwondiag project, located in the Pontiac MRC in southwestern Quebec.

7.5 GPd project

On March 12, 2015, the Corporation signed a definitive agreement with Amixam Resources Inc. ("Amixam") for the acquisition of 100% of the Green Palladium project, located in the Pontiac MRC, 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 were issued in February 2016, valued at $6,923 based on the Exchange price of $0.015 on the date of the share issuance. Amixam was granted with a 2% NSR royalty.

(In Canadian Dollars)

7. MINERAL PROPERTIES (CONT'D)

In addition, The Corporation must satisfy the following exploration commitments as per the March 12, 2015 definitive agreement, as amended on January 19, 2018, 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, 2019	600,000	596,572
Total	**750,000**	**746,572**

Michel Gauthier, president of Gardin, was elected director of the Corporation on August 27, 2015. On November 2, 2015, Gardin announced it had acquired from Amixam on a private placement basis for an aggregate purchase price of $75,000 direct ownership of the 4,000,000 common shares of the Corporation and the rights to receive the additional 461,536 shares pursuant to the Green Palladium project acquisition agreement, representing a price of approximately $0.01681 per share of the Corporation. The 2% NSR was also transferred from Amixam to Gardin.

7.6 Cheechoo-Éléonore Trend project (see note 20.1)

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 interpreted Cheechoo-Éléonore trend, located in the Eeyou Istchee James Bay territory, Québec. Under the terms of this joint venture agreement, the partners have agreed to spend a minimum of $500,000 each over the next five years ($251,727 completed). Sirios is the operator of the project. If one of the party's interest dilutes to 10% or less, its interest shall be converted to a 2% NSR royalty. At any time, the non-diluted party may purchase half of the Royalty-holder's rights to all future royalty payments for $1,000,000.

7.7 Chemin Troïlus project (see note 20.1)

On June 4, 2016, the Corporation signed a project acquisition agreement with Les Ressources Tectonic Inc. whereby the Chemin Troïlus project was purchased under the following considerations: issuance of 1,000,000 common shares of the Corporation (completed and valued at $30,000), $35,000 cash payment (completed) and 2% NSR royalty of which 1.5% can be bought back by the Corporation for $2,000,000. In addition, the Corporation acquired contiguous claims through map staking.

7.8 Somanike project (see note 20.1)

a) Marbridge agreement

On June 1, 2015, the Corporation signed an acquisition agreement with Royal Nickel Corporation ("Royal Nickel") for the purchase of 100% of the Marbridge nickel-copper mine project ("Marbridge") by issuing 2,000,000 common shares (valued at $70,000). This project comprises 10 claims for a total surface area of about 5.8 km^2 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 2 of the claims (previously 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.

(In Canadian Dollars)

7. MINERAL PROPERTIES (CONT'D)

b) Globex agreement

On June 15, 2015 (and as amended on June 7, 2016), the Corporation signed a definitive agreement to acquire 7 claims from Globex Mining Enterprises Inc. ("Globex") in the area of the Somanike project for consideration that is comprised of:

- 1,200,000 common shares of the Corporation valued at $36,000: and
- a graduated Gross Metal Royalty ("GMR") defined as 1% of all metals produced from the 7 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 7 claims will be returned to Globex:

	Commitment	Work 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	-
Total	**500,000**	**11,100**

8. LOAN PAYABLE

On March 13, 2013, the Corporation closed a loan financing of $6,000,000 with lenders. The loan bore interest at a rate of 14%. The loan had a term of three years and following a December 2013 forbearance agreement, the lenders were fully reimbursed in March 2016.

9. SUBLEASE LOSS RESERVE

During fiscal 2014, the Corporation signed an amendment agreement relating to the Vancouver office no longer in use. The Corporation agreed to pay the difference between the original lease and the subtenant lease by way of yearly lump sum payments from February 1, 2014 to February 1, 2018 totaling $190,651. Starting February 1, 2016, an accommodation was reached whereby the Corporation makes monthly payments instead of yearly lump sum payments. This sublease is considered an onerous contract and an original sublease loss reserve of $184,739 has been calculated with a discount rate of 1.55%.

	Year ended February 28, 2018	Year ended February 28, 2017
	$	$
Balance, beginning of year	66,250	103,520
Payment	(66,885)	(38,016)
Accretion expensed as finance costs	365	1,016
Sublease loss reserve	**-**	**66,520**

(In Canadian Dollars)

10. CONVERTIBLE DEBENTURES

	Year ended	
	February 28, 2018	**February 28, 2017**
	$	$
Balance, beginning of year	113,897	328,377
Convertible debenture reaching maturity	-	(150,000)
Convertible debentures extended	-	150,000
Conversion into shares	-	(225,000)
Discounting	-	(38,542)
Accretion expense	19,200	44,970
Issuance cost amortization	-	4,092
Convertible debentures, end of year	133,097	113,897
Convertible debentures – non current portion	-	(113,897)
Convertible debentures – current portion	**133,097**	**-**

On December 19, 2014, the Corporation closed a non-brokered private placement of convertible debentures totaling $375,000. The convertible debentures matured in 24 months and beared 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 Exchange approval. The debentures were convertible into common shares at a price of $0.13 during the term of the debentures. At the maturity date, each debenture could be repaid in cash or in shares at a price per share based on the VWAP, subject to Exchange approval. As part of the private placement, 1,442,308 common share purchase warrants were issued. Each warrant entitles the holder to purchase one common share at $0.17 for 24 months.

On January 9, 2017, the Corporation issued 4,500,000 common shares as repayment of $225,000 convertible debentures. The conversion price was based on the VWAP, subject to a $0.05 per common share minimum. Also on January 9, 2017, the Corporation issued 900,081 common shares in lieu of a cash payment for the interest from December 19, 2015 to December 19, 2016 for $45,004, in accordance with the terms of the convertible debentures issued by the Corporation on December 19, 2014.

In December 2017, the $150,000 convertible debenture issued to Société d’investissement dans la diversification de l’exploration s.e.c. (“SIDEX”) was extended for 2 years. To estimate the fair value, the debt component was estimated first at $111,458 using an effective rate of 30% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option. The $38,542 residual value was attributed to the equity component of the convertible debentures and is presented in equity. The $25,179 equity component initially recorded on the $150,000 convertible debenture issued to SIDEX in December 2014 was transferred to contributed surplus.

During the year ended February 28, 2018, the Corporation issued 318,465 common shares in lieu of a cash payment for the interest of $17,993, in accordance with the terms of the convertible debentures issued by the Corporation on December 19, 2014 and as subsequently extended.

11. COMMON SHARES AND WARRANTS

11.1 Authorized

An unlimited number of common shares without par value.

11. COMMON SHARES AND WARRANTS (CONT'D)

11.2 Private placements

a) September 22, 2016

On September 22, 2016, the Corporation closed a private placement for aggregate gross proceeds of $276,500, comprised of 5,530,000 units at a price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.08 per common share until September 22, 2019.

Management and one director of the Corporation subscribed for an amount of $15,000 of the private placement. In connection with the private placement, the Corporation has agreed to pay to certain finders a fee of up to 7% in cash, representing an aggregate amount of up to $13,755, and issued 173,600 non-transferable finders warrants, each such entitling the finder to acquire one common share at a price of $0.08 per common share for a period of three years from the date of grant.

The value allocated to the warrants of $66,360 ($0.012 per warrant) was determined using the Black-Scholes option pricing model to estimate the fair value of the warrants issued assuming no expected dividends, a risk-free interest rate of 0.52%, an expected stock price volatility of 80% and an expected life of three years.

The Corporation incurred total issuance costs of $42,826 of which $37,618 was incurred in cash and $5,208 was incurred through the issuance of the 173,600 non-transferable finders warrants. The fair value of the finders warrants of $0.003 per finder warrant was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.52%, an expected stock price volatility of 80%, and an expected life of three years.

b) February 28, 2017

On February 28, 2017, the Corporation closed a private placement for aggregate gross proceeds of $1,402,810, comprised of 23,380,165 units at a price of $0.06 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.09 per common share until February 28, 2020.

Management and one director of the Corporation subscribed for an amount of $15,300 of the private placement. In connection with the private placement, the Corporation has agreed to pay to certain finders a finder's fee of up to 7% in cash, representing an aggregate amount of up to $66,992, and issued 1,011,628 non-transferable finders Warrants, each such entitling the finder to acquire one common share at a price of $0.09 per common share until February 28, 2020.

The value allocated to the warrants of $269,886 ($0.012 per warrant) was determined using the Black-Scholes option pricing model to estimate the fair value of the warrants issued assuming no expected dividends, a risk-free interest rate of 0.91%, an expected stock price volatility of 80% and an expected life of three years.

The Corporation incurred total issuance costs of $147,611 of which $119,285 was incurred in cash and $28,326 was incurred through the issuance of the 1,011,628 non-transferable finders warrants. The fair value of the finders warrants of $0.028 per finder warrant was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.91%, an expected stock price volatility of 80%, and an expected life of three years.

(In Canadian Dollars)

11. COMMON SHARES AND WARRANTS (CONT'D)

c) November 1, 2017

On November 1, 2017, the Corporation closed a private placement totalling $62,200 by issuing 1,244,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.08 until November 1, 2020. The value allocated to the warrants of $15,500 ($0.0125 per warrant) was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.59%, an expected stock price volatility of 80% and an expected life of three years.

Also on November 1, 2017, the Corporation closed a private placement totalling $185,680 by issuing 2,856,616 flow-through units at a price of $0.065 per unit. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.10 until November 1, 2019. On November 1, 2017, the Corporation's share closed at $0.055 on the Exchange, therefore the residual value attributed to the flow-through share premium is $0.01, for a total value of $28,566. The value allocated to the warrants of $17,125 ($0.0120 per warrant) was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.52%, an expected stock price volatility of 80% and an expected life of two years. The Corporation incurred cash issuance costs of $37,227, of which $28,039 was allocated to capital stock, $4,570 to warrants and $4,618 to the flow-through premium.

11.3 Warrants

The changes in warrants issued are as follows:

	Year ended			
	February 28, 2018		**February 28, 2017**	
	Number of warrants	**Weighted average exercise prices**	**Number of warrants**	**Weighted average exercise prices**
		$		$
Balance, beginning of year	40,817,003	0.26	14,937,223	0.57
Issued	2,672,308	0.09	28,910,165	0.09
Expired	-	-	(3,030,385)	0.16
Balance, end of year	**43,489,311**	**0.25**	**40,817,003**	**0.26**

(In Canadian Dollars)

11. COMMON SHARES AND WARRANTS (CONT'D)

Outstanding warrants entitle their holder to subscribe to an equivalent number of common shares as follows:

	February 28, 2018	
Expiry date	**Number of warrants**	**Exercise price**
		$
September 5, 2018 1)	8,389,615	0.175
September 12, 2018 1)	1,925,000	0.175
December 19, 2018 2)	576,923	0.17
July 17, 2018	941,900	6.00
August 7, 2018	73,400	6.00
September 22, 2019	5,530,000	0.08
November 1, 2019	1,428,308	0.10
February 28, 2020	23,380,165	0.09
November 1, 2020	1,244,000	0.08
	43,489,311	

1) *The 8,389,615 warrants due to expire on September 5, 2016 and the 1,925,000 warrants due to expire September 12, 2016 were extended for two years such that the new expiry dates are September 5, 2018 and September 12, 2018, respectively. Total costs of the warrant extension amounts to $319,753 for an estimated fair value of $0.031 per warrant, recorded under warrants and the offsetting entry was recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the deference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 80% and 10% expected volatility, 0.61% and 0.54% risk-free interest rate and 2.06 and 0.06 years warrant expected life.*
2) *Following the two years extension of the SIDEX convertible debt, the 576,923 warrants issued to SIDEX were also extended for 2 years. Total costs of the warrant extension amounts to $3,462 for an estimated fair value of $0.006 per warrant, recorded under warrants and the offsetting entry was recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the deference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 80% and 10% expected volatility, 0.50% and 0.53% risk-free interest rate and 2.06 and 0.02 years warrant expected life.*

11.4 Agent's compensation options:

The changes in agent's compensation options and underlying warrants issued are as follows:

	Year ended			
	February 28, 2018		February 28, 2017	
	Number of agent compensation options and underlying warrants	**Weighted average exercise prices**	**Number of agent compensation options and underlying warrants**	**Weighted average exercise prices**
		$		$
Balance, beginning of year	1,185,228	0.09	491,978	0.61
Issued	-	-	1,185,228	0.09
Expired	-	-	(491,978)	0.61
Balance, end of year	**1,185,228**	**0.09**	**1,185,228**	**0.09**

(In Canadian Dollars)

11. COMMON SHARES AND WARRANTS (CONT'D)

Outstanding agent's compensation options entitle their holder to subscribe to an equivalent number of common shares as follows:

	February 28, 2018	
Expiry Date	**Number**	**Exercise price**
		$
September 22, 2019	173,600	0.08
February 28, 2020	1,011,628	0.09
	1,185,228	

12. SHARE-BASED PAYMENTS

12.1 Stock option plan

The Corporation has a stock option plan (the "Stock Option Plan") whereby the Corporation may grant options to directors, officers, employees, independent contractors or consultants. The exercise price associated with each grant of options is determined by the Corporation and is subject to the policies of the Exchange. The maximum term of each option is 10 years. The options vest on a basis as determined by the directors or a committee thereof at the time of grant. The option price shall not be less than the price on the Exchange on the close of the previous trading day, provided that certain conditions are met as defined in the Stock Option Plan. The maximum number of common shares that can be issued upon exercise of stock options granted under the Stock Option Plan was increased from 1,543,000 to 4,700,000 common shares on July 28, 2016. Such number represents less than 10% of the total number of shares issued and outstanding and the amendment was approved by the Exchange.

On October 13, 2016, the Corporation granted 1,450,000 stock options to directors, officers, advisors and consultants at an exercise price of $0.10 with an expiry date of October 13, 2026, vesting immediately. At the time of the grant, the exercise price was above the market price on the Exchange. Total stock-based compensation costs amounts to $88,450 for an estimated fair value of $0.061 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.08% risk-free interest rate and 6 years options expected life. These expected life and volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

12.2 Stock options

The changes in stock options issued are as follows:

	Year ended			
	February 28, 2018		February 28, 2017	
	Number of options	**Weighted average exercise prices**	**Number of options**	**Weighted average exercise prices**
		$		$
Balance, beginning of year	2,850,000	0.11	1,400,000	0.125
Granted	-	-	1,450,000	0.10
Balance, end of year	**2,850,000**	**0.11**	**2,850,000**	**0.11**

(In Canadian Dollars)

12. SHARE-BASED PAYMENTS (CONT'D)

Outstanding stock options entitling their holder to subscribe to an equivalent number of common shares as follow:

	February 28, 2018	
Expiry Date	**Number**	**Exercise price**
		$
October 10, 2024	1,400,000	0.125
October 13, 2026	1,450,000	0.10
	2,850,000	

13. GENERAL AND ADMINISTRATION

	Year ended	
	February 28,2018	**February 28, 2017**
	$	$
Directors fees	48,000	48,000
Filing and transfer agent fees	32,097	44,023
Management fees	48,414	60,900
Office and miscellaneous	35,551	35,396
Professional fees	114,214	113,997
Promotion	245,940	111,530
Salaries and benefit	144,277	132,475
Share-based payments	-	88,450
Travel	67,921	30,762
General and administration	**736,414**	**665,533**

14. FINANCE COSTS

	Year ended	
	February 28, 2018	**February 28, 2017**
	$	$
Provision on promissory note receivable 1)	-	85,000
Accretion of sublease reserve	365	1,016
Accretion of convertible debentures	19,200	44,970
Issuance costs on convertible debentures	-	4,092
Common shares issued in lieu of interest payment on convertible debentures	17,993	45,004
Finance costs	**37,558**	**180,082**

1) On July 17, 2016, the Corporation signed a promissory note with Eco-Niobium Resources Inc. ("Eco-Niobium") whereby the Corporation lent $85,000 to Eco-Niobium. The Exchange approved this transaction. The loan bears interest at the rate of 3% per annum and matures in 36 months. The promissory note is not convertible into Eco-Niobium Shares and is secured by a movable hypothec on all present and future movable assets of Eco-Niobium. The net proceeds of the loan will be used for general corporate purposes and to advance mining projects of Eco-Niobium including the social acceptability aspects of a niobium project of the Oka area.

(In Canadian Dollars)

14. FINANCE COSTS (CONT'D)

Sphinx had entered into an agreement with Eco-Niobium providing for a strategic investment in Eco-Niobium of up to $250,000 by way of a non-brokered private placement of unsecured convertible debentures of Eco-Niobium. The Exchange had conditionally approved the investment. One of the conditions that had to be satisfied was the approval by the shareholders of Corporation, excluding the votes of non-arms' length parties. The investment is a non-arms' length transaction under the policies of the Exchange as a result of three directors being also directors of Eco-Niobium, namely Normand Champigny, Kerry E. Sparkes and John W. W. Hick. The Corporation decided not to seek the disinterested shareholder approval at its October 6, 2016 shareholder meeting to complete the strategic investment in Eco-Niobium by way of a non-brokered private placement of unsecured convertible debentures of Eco-Niobium. Considering the current status of this project and the various approvals that Eco-Niobium has to achieve to successfully move this project forward, including obtaining the legal mineral rights, management has provided for 100% of the promissory note.

15. RELATED PARTY TRANSACTION

15.1 Compensation to key management

The Corporation's key management personnel are members of the Board of Directors, the chief executive officer and the chief financial officer:

	Year ended	
	February 28, 2018	**February 28, 2017**
	$	$
Short-term benefits		
Consulting fees recorded as exploration and evaluation expenditures	49,250	56,910
Salaries, including benefits	144,277	132,475
Directors fees	48,000	48,000
Management fees	48,414	60,900
Issuance costs (allocated between capital stock, warrants and convertible debentures)	-	7,866
Long-term benefits		
Share-based payments	-	88,450
Total compensation	**289,941**	**394,601**

Certain employment agreements between the executive team and the Corporation contain termination and change of control provisions. If a termination or change of control had occurred as at February 28, 2018, the amounts payable for the executive team would have totaled $310,647 (February 28, 2017 - $332,371).

15.2 Related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management (Note 15.1):

- A company controlled by an officer and director charged accounting fees of $22,233 ($23,605 in the year ended February 28, 2017) for her staff;
- Gardin, a company controlled by a director, charged exploration expenditures of $20,100 ($15,042 in the year ended February 28, 2017);
- Directors and officers of the Corporation participated in the following private placements:
  (1) September 22, 2016 for $15,000;
  (2) February 28, 2017 for $15,300;
  (3) November 1, 2017 for $25,415.

As at February 28, 2018, the balance due to the related parties and key management amounted to $21,171 ($20,068 as at February 28, 2017). Amounts due to related parties are unsecured, non-interest bearing.

(In Canadian Dollars)

16. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's Management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Corporation's main financial risks exposure and its financial policies are described below.

16.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash is exposed to credit risk. Management believes the credit risk on cash is small because the counterparties are chartered Canadian banks.

16.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk as cash only comprised bank balances as of February 28, 2018 and the convertible debenture bears a fix interest rate of 12%. The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended February 28, 2018.

16.3 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its exploration, development, and operating obligations and cash on hand. The Corporation anticipates seeking additional financing in order to fund general and administrative costs, loan service costs and exploration and evaluation costs. The Corporation's options to enhance liquidity include the issuance of new debt or equity instruments (refer to note 1.1 for going concern discussion).

The following table summarizes the carrying amounts and contractual maturities of financial liabilities as at February 28, 2018:

	Trade and other payables	Convertible debentures
	$	$
Within 1 year	162,800	133,097
1 to 5 years	-	-
Total	**162,880**	**133,097**

16.4 Fair value risk

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at February 28, 2018, the Corporation's financial instruments are cash, accounts receivable, trade and other payables and convertible debentures. For all the financial instruments except the convertible debentures, the amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. For the convertible debentures, the fair value of the debt component was estimated using an effective rate of 30% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option.

(In Canadian Dollars)

17. CAPITAL MANAGEMENT

The Corporation includes as capital its common shares, equity component of convertible debentures, warrants and contributed surplus. Total capital as at February 28, 2018 was $72,149,582 (February 28, 2017 - $71,811,307). Refer to statement of change in equity and note 10 for explanations regarding changes to capital and long term debt between February 28, 2018 and 2017.

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to pursue its exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Corporation does not have cash flow from operations, to maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts and to continue operations, the Corporation does not pay out dividends.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non cash transactions included in the statement of financial position are the following:

	Year ended	
	February 28, 2018	**February 28, 2017**
	$	$
Agent compensation options issued as a share issue cost	-	33,534

Change in non-cash working capital items:

	Year ended	
	February 28, 2018	**February 28, 2017**
	$	$
Accounts receivable	(59,509)	4,182
Sales tax receivable	15,486	(26,030)
Tax credits receivable	(358,801)	954,116
Prepaid expenses	(11,480)	1,164
Trade and other payables	15,701	(298,302)
Sublease reserve	(66,885)	(38,016)
	(465,488)	**597,114**

(In Canadian Dollars)

19. INCOME TAXES

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Corporation, to the loss before income taxes due to the following:

	February 28, 2018	February 28, 2017
	$	$
Loss before income taxes	(1,642,550)	(1,226,913)
Canadian federal and provincial income tax rates	26.78%	26.88%
Income tax recovery based on Canadian federal and provincial income tax rates	(439,875)	(329,841)
Increase (decrease) attributable to:		
Changes in unrecognized deferred tax assets	365,274	96,958
Non-deductible expenditures	1,278	32,753
Properties acquired with no tax base	35,772	28,745
Flow-through share premium	(17,510)	-
Effect of flow-through share renunciation	37,551	-
Québec refundable mining tax	(43,570)	(540,661)
Change in provincial tax rate	-	173,553
Other	-	(2,168)
Tax expense (recovery)	**(61,080)**	**(540,661)**

The following table shows the changes in deferred tax assets and liabilities during the year, regardless of compensation balances relating to the same taxation authority.

	As at February 28, 2017	Amount debited (credited) in the statement of loss	As at February 28, 2018
	$	$	$
Deferred tax assets			
Non-capital losses	9,567	(5,088)	4,479

	As at February 28, 2017	Amount debited (credited) in the statement of loss	As at February 28, 2018
	$	$	$
Deferred tax liabilities			
Convertible debenture	9,567	(5,088)	4,479

(In Canadian Dollars)

19. INCOME TAXES (CONT'D)

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	February 28, 2018	February 28, 2017
	$	$
Non-capital losses carry forwards	20,584,467	15,907,950
Capital loss carry forwards	3,100,486	3,100,486
Canadian exploration and development expenses	24,558,753	25,167,143
Share issuance costs	193,287	1,211,544
Non-deductible reserve	-	103,520
	48,436,993	**45,490,643**

In addition, the Corporation has non-recognized non-refundable tax credits carried forward in the amount of 3,305,650$ (3,342,777$ in the year ended February 28, 2017).

The non-capital losses and tax credits expire on various dates from 2028 to 2037.

20. SUBSEQUENT EVENTS

20.1 Sale of three gold projects

On April 25, 2018, the Corporation signed an asset purchase agreement ("Sphinx Asset Purchase") to sell its gold assets (Cheechoo-Éléonore Trend, Chemin Troïlus and Somanike projects) to Canada Strategic Metals Inc. ("Canada Strategic") and immediately after, Canada Strategic is to merge with Matamec Explorations Inc. ("Matamec") by way of a court approved plan of arrangement (the "Arrangement") to form Quebec Precious Metals Corporation ("QPM"). The Corporation received 1,200,000 common shares of QPM (on a post-consolidation basis) in exchange of its gold assets, namely the Chemin Troïlus project, Somanike project and its 50% interest in the Cheechoo Éléonore Trend project. Contemporaneously, Goldcorp Inc. ("Goldcorp"), invested in QPM through a private placement for gross proceeds of $3,701,960 (the "Goldcorp Investment").

The CEO of the Corporation became the CEO of QPM, and the interim CEO of Matamec who is also a Director of the Corporation became a Director of QPM.

The completion of these transactions is subject to the approval of the Arrangement by the Québec Superior Court and the shareholders of Matamec, approval of the Canada Strategic share consolidation by the shareholders of Canada Strategic, closing of the $3,701,960 Goldcorp investment in QPM conditional on numerous conditions including the raising of gross proceeds of a minimum of $5,000,000 by Canada Strategic, and the Exchange approval.

20.2 Joint venture with Osisko Metals Inc.

On May 2, 2018, the Corporation signed a letter of agreement to form a 50-50% joint venture with Osisko Metals Inc. ("Osisko") with the objective to explore for zinc in the Grenville geological province in southern Quebec (the "Grenville Zinc Project").

20. SUBSEQUENT EVENTS (CONT'D)

Under the terms of this joint venture agreement, the Corporation and Osisko agreed to:

- each spend a minimum of $1,100,000 over the next five years including $100,000 during the first year;
- create a joint management committee to design and oversee the exploration program;
- have the Corporation act as operator of the Grenville Zinc Project;
- a provision whereby if a party's interest dilutes to 10% or less, its interest shall be converted to a 2% NSR royalty. If at any time, the NSR royalty holder receives a bona fide offer to purchase all or a portion of the NSR royalty and the NSR royalty holder is prepared to accept such offer, the non-diluted party shall have the right of first refusal to purchase the NSR royalty (or, if the offer is for less than all of the NSR royalty, the portion of the NSR royalty to which the offer relates), at the same price and on the same terms and conditions; and
- All mining claims currently held by Osisko and the Corporation in the province of Quebec are excluded from this agreement.