



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

Quarterly Highlights

Six months ended August 31, 2018

## SPHINX RESOURCES LTD.

### Management's Discussion and Analysis – Quarterly Highlights

Six months ended August 31, 2018

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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 six months ended August 31, 2018 ("Q2-19"), 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 August 31, 2018 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, 2018. 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 2017	March 1, 2016 – February 29, 2017
Q1-18	March 1, 2017 – May 31, 2017
Q2-18	June 1, 2017– August 31, 2017
YTD Q2-18	March 1, 2016 – 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
Q1-19	March 1, 2018 – May 31, 2018
Q2-19	June 1, 2018– August 31, 2018
YTD Q2-19	March 1, 2018 – August 31, 2018
Q3-19	September 1, 2018 – November 30, 2018
Q4-19	December 1, 2018 - February 28, 2019
Fiscal 2019	March 1, 2018 – February 28, 2019

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 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 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 concentrates on Québec, with potential expansion into other Canadian provinces.

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### 2. OVERVIEW OF THE CORPORATION (CONT'D)

To support this strategy Sphinx has formed two partnerships:

- with SOQUEM, a subsidiary of Ressources Québec and a leading player in mineral exploration in Québec, on the Calumet-Sud zinc project; and
- with Osisko Metals, Inc. (“Osisko”), with the objective to explore for zinc in highly prospective areas of the Grenville geological province in southern Québec (the “Grenville Zinc Project”) (see section 2.3).

#### 2.2 Financing

On June 15, 2018, the Corporation closed a private placement totalling \$250,000 by issuing 5,000,000 common shares at a price of \$0.05 per common share. In addition on June 15 and July 13, 2018, the Corporation closed a private placement totalling \$230,850 by issuing 3,551,538 flow-through shares at a price of \$0.065 per flow-through share.

#### 2.3 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 with the objective to explore for zinc in the Grenville geological province in southern Québec (the “Grenville Zinc Project”).

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% Net smelter return (“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 held on May 2, 2018 held by Osisko and the Corporation in the province of Québec are excluded from this agreement.

The definitive joint venture agreement was signed on October 15, 2018

#### 2.4 Sale of three gold assets

To create shareholder value from Sphinx's gold projects, the Corporation sold on June 27, 2018 its gold assets (namely the Chemin Troilus project, Somanike project and its 50% interest in the Cheechoo-Éléonore Trend project) to Canada Strategic Metals Inc. (“Canada Strategic”), pursuant to an April 25, 2018 asset purchase agreement. Immediately after, Canada Strategic merged with Matamec Explorations Inc. (“Matamec”) by way of a court approved plan of arrangement (the “Arrangement”) to form Québec Precious Metals Corporation (“QPM”). The Corporation received 1,200,000 common shares of QPM (on a post-consolidation basis) (valued at \$524,160) in exchange of its gold assets. Contemporaneously, Goldcorp Inc. (“Goldcorp”) and *Caisse de dépôt et placement du Québec* invested in QPM through a private placements for gross proceeds of \$3,701,960 and \$1,400,000, respectively. The Corporation incurred \$173,883 transaction costs.

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 Corporation's financial advisor for the transaction was Paradigm Capital Inc.

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#### 2. OVERVIEW OF THE CORPORATION (CONT'D)

The completion of these transactions was conditional on the approval of the Arrangement by the Québec Superior Court and the shareholders of Matamec, the approval of the Canada Strategic share consolidation by the shareholders of Canada Strategic, the closing of the \$3,701,960 Goldcorp investment in QPM, which in turn was conditional on numerous conditions including the raising of gross proceeds of a minimum of \$5,000,000 by Canada Strategic and Exchange approval. All of the aforementioned conditions were achieved.

#### 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:

	Q2-19	Q2-18	YTD Q2-19	YTD Q2-18
	\$	\$	\$	\$
<b>Calumet-Sud</b>				
Project acquisition and maintenance	88	-	88	-
Share issuance	-	128,077	-	128,077
Option payment received	-	-	-	-
Drilling	5,863	-	8,216	3,350
Trenching	26,702	-	26,702	-
Geology	27,767	10,656	33,277	11,701
Geophysics	-	-	-	-
Geochemistry	-	33,497	-	33,497
Recharge to partner	(29,924)	(23,311)	(35,003)	(26,031)
Tax credits	-	(7,037)	-	(7,602)
	30,496	141,882	33,280	142,992
<b>Tessouat</b>				
Geology	-	672	-	672
Geochemistry	-	9,849	-	9,849
Tax credits	-	(3,552)	-	(3,552)
	-	6,969	-	6,969
<b>Tessouat-Sud</b>				
Project acquisition and maintenance	-	19,346	-	19,346
	-	19,346	-	19,346
<b>Obwondiag</b>				
Project acquisition and maintenance	-	6,418	-	6,418
Geology	-	219	-	219
	-	6,637	-	6,637
<b>Grenville Zinc</b>				
Project acquisition and maintenance	(83)	-	83	-
Geology	14,925	-	15,900	-
Recharge to partner	(7,950)	-	(7,950)	-
	6,892	-	8,033	-

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

	Q2-19	Q2-18	YTD Q2-19	YTD Q2-18
	\$	\$	\$	\$
<b>Green Palladium</b>				
Project acquisition and maintenance	1,670	47	1,670	281
Drilling	-	400	-	139,711
Geology	427	10,869	2,951	51,529
Geophysics	-	15,430	-	24,952
Geochemistry	-	8,850	-	8,850
Tax credits	-	(12,074)	-	(76,048)
	2,097	23,522	4,621	149,275
<b>Cheechoo-Éléonore Trend</b>				
Project acquisition and maintenance	41,524	-	41,524	-
Geology	682	129,147	6,396	171,778
Geochemistry	-	38,847	130	38,847
Recharge to partner	-	(43,100)	-	(49,965)
Tax credits	-	(54,517)	-	(70,128)
	42,206	70,377	48,050	90,532
<b>Chemin Troilus</b>				
Project acquisition and maintenance	1,901	-	4,388	1,632
Drilling	-	108,665	-	108,775
Geology	476	32,721	4,862	85,134
Geophysics	-	-	-	28,700
Line cutting	-	19	-	12,259
Geochemistry	-	37,332	-	50,267
Tax credits	-	(78,018)	-	(124,461)
	2,377	100,719	9,250	162,306
<b>Somanike</b>				
Project acquisition and maintenance	385	-	557	1,030
Geology	100	697	970	4,341
Tax credits	-	(236)	-	(1,465)
	485	461	1,527	3,906
<b>Generation</b>				
Geology	-	1,800	358	2,000
Tax credits	-	(607)	-	(675)
	-	1,193	358	1,325
<b>Total exploration and evaluation expenditures</b>				
	<b>84,553</b>	<b>371,106</b>	<b>105,119</b>	<b>583,288</b>

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

##### **Ziac District**

The "Ziac" (abbreviation for "zinc-Pontiac") zinc district is an emerging zinc play, located in a 40-km long northwest trending corridor located in the Pontiac regional county municipality (the "Pontiac MRC") in southwestern Québec, defined by zinc-bearing dolomitic marbles typical of the Balmat-Edwards-Pierrepoint zinc district, located in the state of New York, United States. The Ziac district also covers meta-volcanic rocks that host the historic mine of New Calumet Mines Limited (the "New Calumet Mine") zinc-lead-silver-gold mine, which produced 3.8 million tonnes of ore at a grade of 5.8% Zn, 1.6% Pb, 65 g/t Ag et 0.4 g/t Au from 1944 to 1968. The Ziac district includes:

- the Calumet-Sud project currently being explored by Sphinx and its 50% partner SOQUEM (21 claims, 12 km<sup>2</sup>);
- the Tessouat project (22 claims, 13 km<sup>2</sup>);
- the Tessouat-Sud project (296 claims, 177 km<sup>2</sup>);
- the Obwondiag project (96 claims, 53 km<sup>2</sup>); and
- the GPd platinum group elements ("PGE") project (74 claims, 41 km<sup>2</sup>) on which newly identified zinc potential has been confirmed.

#### **3.1 Calumet-Sud zinc project**

##### **a) Project description**

The project consists of 21 claims (12 km<sup>2</sup>) located in the Pontiac MRC in southwestern Quebec. SOQUEM, a subsidiary of Ressources Québec and a leading player in mineral exploration in Québec, has acquired an undivided 50% interest in the project on September 22, 2017 and a joint venture has been created between Sphinx and SOQUEM. Sphinx is the manager of the joint venture. The project is immediately adjacent to Sphinx's 100% owned GPd project and adjacent and south of the former New Calumet mine. In the 1980s, Lacana Mining Ltd. discovered significant gold mineralization immediately below the underground workings of the former mine. The project is part of the larger Ziac district.

The Calumet-Sud project was acquired in 2015 from Gardin Inc. ("Gardin") (a company controlled by Michel Gauthier, a director of the Corporation), by issuing 1,384,615 common shares, valued at \$41,538. 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 respectively. A 2% NSR royalty was granted to Gardin.

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

On March 20, 2018, the Corporation reported the complete results of an 11-hole diamond drilling program completed earlier this year on the Calumet-Sud project in Québec. The results include 13.1% zinc over 1.0 m in hole CS-18-02 within a stratiform and shallow-dipping mineralized horizon that graded 3.8% zinc over a 5.0 m length beginning at a depth of 15 m. This is in addition to hole CS-18-07 that returned 6.6% zinc over 1.4 m within 3.0% zinc over a 6.8 m length beginning at a depth of 18 m and to hole CS-18-06 that returned 9.0% zinc over 1 m within 3.1% zinc over a 6.4 m length beginning at a depth of 15.6 m.

Table 1 presents the summary results and mineralized intervals. At the Sonny West Zone, hole CS-18-09 intersected the mineralized horizon that graded 1.7 % zinc over 2.7 m length beginning at a depth of 15 metres. The other two (2) holes intersected a karstic barren breccia that truncates the mineralized horizon. Based on outcrop measurements taken on the mineralized bands and drill holes orientation, the true thickness is estimated to range from 91% to 100% of the drilled length.

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

Beyond the area of this drilling, the horizons can be traced over a 1.5 km strike length on the basis of strongly anomalous zinc values in soils and limited drilling conducted by Sphinx and SOQUEM in 2017.

Table 1 - 2018 Drill hole assay results. Length weighted composite intervals.

Hole name	From (m)	To (m)	Drilled width (m)	Estimated true width (m)	Zinc %	Horizon name
CS-18-01	7.70	14.40	6.70	6.70	2.74	Sonny
including	9.00	11.36	2.36	2.36	5.66	
CS-18-02	14.00	19.00	5.00	5.00	3.81	Sonny
including	16.00	17.00	1.00	1.00	13.05	
CS-18-03	14.00	19.20	5.20	5.20	0.75	Sonny
CS-18-04	20.00	25.00	5.00	5.00	0.51	Sonny
CS-18-05	25.50	32.00	6.50	6.50	1.11	Sonny
CS-18-06	15.60	22.00	6.40	6.40	3.13	Sonny
including	17.00	18.00	1.00	1.00	9.02	
CS-18-07	18.00	24.80	6.80	6.60	2.99	Sonny
including	22.75	24.10	1.35	1.31	6.63	
CS-18-08	28.00	38.23	10.23	9.97	1.17	Sonny
CS-18-09	10.00	18.00	7.70	7.00	0.94	Sonny West
including	15.00	17.70	2.70	2.46	1.72	
CS-18-10	No significant mineralization, barren karstic breccia					Sonny West
CS-18-11	No significant mineralization, barren karstic breccia					Sonny West

The zinc-bearing horizon is defined by the presence of massive sphalerite bands ranging from one centimetre to several centimetres in thickness, as well as disseminated sphalerite, pyrite and pyrrhotite, all hosted in dolomitic marble. The drill hole results suggest that the shallow dipping mineralized horizon trends northwest-southeast and remains open in both directions of the drilled area. Sphinx and SOQUEM are planning a follow-up exploration program that will focus on drilling the mineralized horizon to further establish its continuity and mineral resource potential. The program is likely to begin in the summer.

Recent field work and data compilation delineated a large and near surface zinc prospective area of 1,700 m by 600 m. Eight (8) trenches totalling 120 m were carried out during the summer of 2018 in areas where elevated zinc values were obtained during previous soil geochemical surveys. Preliminary results suggest an extension of the zinc mineralization on surface to the north and south of the previously stripped and drilled Sonny and Sonny West zones. Beyond the drilled zones, the zinc mineralization can be traced on the basis of strongly anomalous zinc values in soils and limited drilling conducted by Sphinx and SOQUEM in 2017. A new work program is being carried out and includes detailed geological mapping and trenching. This will be followed by diamond drilling to identify a potential mineral resource.

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

##### 3.2 Tessouat project

###### a) Project description

The project is located 5 km northeast of the municipality of Waltham in the Pontiac MRC in southwestern Québec, at the northern end the Ziac district. Excellent road access throughout the year is available. On August 1, 2017, the Corporation entered into an agreement with Resources Tranchemontagne Inc. ("Tranchemontagne") (a company controlled by Michel Gauthier, a director of the Corporation) and Gardin to acquire a 100% undivided interest in 22 claims (13 km<sup>2</sup>), held by Tranchemontagne. Under the terms of this agreement, Sphinx acquired the project for a consideration that consists of: a payment of \$26,000 (completed in September 2017); the issuance of 100,000 common shares of Sphinx (valued at \$5,500, completed in September 2017); carrying out exploration work totaling \$70,000 over a period of two years with work completed prior to August 1<sup>st</sup>, 2019 (\$14,830 completed as at August 31, 2018); and the grant of a 2% NSR to Gardin.

##### 3.3 GPd project

###### a) Project description

The project consists of 74 claims (41 km<sup>2</sup>) located in the Pontiac MRC in southwestern Québec. 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	599,523
<b>Total</b>	<b>750,000</b>	<b>749,523</b>

Gardin was granted with a 2% NSR royalty.

#### 4. RESULTS OF OPERATIONS

General and administration expenses details are as follows:

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Directors fees	12,000	12,000	24,000	24,000
Filing and transfer agent fees	9,725	6,971	12,222	10,671
Management fees	14,138	22,288	25,463	33,272
Office and miscellaneous	6,663	6,986	15,730	14,182
Professional fees	(14,026)	7,382	13,376	17,615
Promotion	(52,828)	59,600	119,763	147,079
Salaries and benefit	33,884	38,744	70,764	73,557
Share-based payment	19,667	-	19,667	-
Travel	9,839	21,824	26,904	37,268
<b>General and administration</b>	<b>39,062</b>	<b>175,795</b>	<b>327,889</b>	<b>357,644</b>



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

With respect to promotion, the CEO has launched several initiatives to raise awareness of the Corporation including meetings with potential investors in North America.

In June 2018, the Corporation engaged FronTier Flex Marketing ("FronTier") to assist in increasing market awareness. Under the terms of the engagement, FronTier has been retained for a 12-month period at \$87,000 (plus applicable sales tax) plus direct expenses.

On August 30, 2018, a total of 1,775,000 stock options have been granted by the Corporation to its directors, officers, advisory committee member, one consultant and contractors. Of this number, 980,000 have been granted to its directors and officers, 300,000 to FronTier and 25,000 to its advisory committee member. These Options have an exercise price of \$0.10 per share and are exercisable during a 10-year period. All Options will vest in three (3) equal tranches over two years except for the Options granted to FronTier Flex Marketing, which vest 25% every quarter. These Options have been granted in accordance with Sphinx's stock option plan.

The Corporation reached an agreement with the *Société d'investissement dans la diversification de l'exploration* ("SIDEX") and issued on October 18, 2018, an aggregate of 3,293,918 common shares at a price per common share of \$0.05 in settlement of an aggregate of \$164,696 of outstanding debt (principal and all accrued interest) as of the date hereof pursuant to an unsecured convertible debenture granted to SIDEX on December 19, 2014. The debenture has been terminated.

A \$350,227 net gain was recorded on the disposal of 3 gold properties to QPM (section note 2.4). A \$194,160 unfavorable change in fair value on the 1,200,000 listed shares received from QPM was recorded as of August 31, 2018.

Finance costs details are as follows:

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accretion sublease reserve	-	-	-	365
Accretion of convertible debentures	1,714	88	12,164	9,031
Issuance costs on convertible debentures	-	-	-	-
Accrued interest on convertible debentures	8,975	9,200	8,975	9,200
<b>Finance costs</b>	<b>10,689</b>	<b>9,288</b>	<b>21,139</b>	<b>18,596</b>

In Q2-19, the Corporation reported an income of \$32,993 (loss of \$554,579 in Q2-18). In Q2-19 YTD, the Corporation reported a loss of \$284,862 (\$956,398 in Q2-18 YTD).

October 26, 2018

*(s) Normand Champigny*

Normand Champigny  
Chief Executive Officer

*(s) Ingrid Martin*

Ingrid Martin  
Chief Financial Officer