



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Quarterly Highlights

Three months ended May 31, 2020

# SPHINX RESOURCES LTD.

## Management's Discussion and Analysis – Quarterly Highlights

Three months ended May 31, 2020

This Management's Discussion and Analysis – Quarterly Highlights ("MD&A Highlights") of the financial position and results of operations reviews the activities, results of operations and financial position of Sphinx Resources Ltd. ("Sphinx" or the "Corporation") for the three months ended May 31, 2020 ("Q1-21"), together with certain trends and factors that are expected to have an impact in the future. This MD&A Highlights should be read in conjunction with the Corporation's condensed interim financial statements as at May 31, 2020 prepared in accordance with the International Financial Reporting Standards ("IFRS"), as well as with the management discussion and analysis for the year ended February 29, 2020. 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 2020	March 1, 2018 – February 28, 2019
Q1-20	March 1, 2019 – May 31, 2019
Q2-20	June 1, 2019– August 31, 2019
Q3-20	September 1, 2019 – November 30, 2019
Q4-20	December 1, 2019 - February 29, 2020
Fiscal 2021	March 1, 2020 – February 28, 2021
Q1-21	March 1, 2020 – May 31, 2020
Q2-21	June 1, 2020– August 31, 2020
Q3-21	September 1, 2020 – November 30, 2020
Q4-21	December 1, 2020 - February 29, 2021
Fiscal 2022	March 1, 2021 – February 29, 2022

The technical information contained in this MD&A has been reviewed and verified by Sphinx's Director, Jean Laforest (eng.), 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 AND HIGHLIGHTS

#### 2.1 Strategy

Sphinx is a mineral exploration company that focuses its activities in southwestern Quebec in search of deposits of precious metals (palladium, platinum, gold and silver) and base metals (zinc, copper, lead). Sphinx is particularly active in the MRC Pontiac where its President and Chief Executive Officer resides. It has a strong local shareholding that contributes towards social acceptability.

#### 2.2 Financing

On June 11, 2020, the Corporation closed a private placement totalling \$65,250 by issuing 2,175,000 units at a price of \$0.03 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 \$0.05 until June 11, 2023.

## SPHINX RESOURCES LTD.

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

Three months ended May 31, 2020

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#### 2. OVERVIEW AND HIGHLIGHTS (CONT'D)

Also on June 11, 2020, the Corporation closed a private placement totalling \$5,000 by issuing 100,000 flow-through units at a price of \$0.05 per flow-through unit. Each flow-through unit is comprised of one flow-through 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 \$0.07 until June 11, 2023.

#### 2.3 Loans

The Corporation received on April 30, 2020 a \$40,000 Canada Emergency Business Account ("CEBA") which is an interest-free loan to cover operating costs which was offered by the Canadian Government through the Corporation's bank in the context of the Covid-19 pandemic outbreak. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000. On December 31, 2022, the Corporation has the option to extend for 3 years the loan and it will bear a 5% interest rate. To estimate the fair value, the debt component was estimated first at \$20,160, considering the forgiveness and interest free aspects. A 15% effective rate was used which corresponds to a rate that the Corporation would have obtained for a similar investment. The \$19,840 residual value was attributed to a governmental grant that was recorded as a deferred governmental grant in the statement of financial position and as of May 31, 2020, an amortization of \$4,166 was recognized in the statement of loss in general and administrative.

The Corporation received on June 18, 2020 a \$50,000 loan from The Regional Municipality of Pontiac County, financed by the Government of Quebec in the context of the Covid-19 pandemic outbreak. The loan bears interest at an annual rate of 3%. The loan is granted for a period of 36 months with a 3 month moratorium on principal and interest, followed by a 12 month moratorium on principal only. On August 15, 2024, the Corporation shall repay the principal balance and accrued interest in full.

#### 3. EXPLORATION PROJECTS

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

	Q1-21	Q1-20
	\$	\$
<b>Calumet-Sud</b>		
Drilling	-	57,621
Trenching	-	64,874
Geology	7,133	28,462
Geochemistry	-	58,291
Recharge to partner	(1,754)	(104,624)
Tax credits	(1,506)	585
	3,873	105,209
<b>Calumet-Nord</b>		
Project acquisition and maintenance	171	-
Geology	368	-
Geochemistry	-	805
Tax credits	(103)	-
	436	805
<b>Tessouat</b>		
Geology	-	2,863

**SPHINX RESOURCES LTD.****Management's Discussion and Analysis – Quarterly Highlights**

Three months ended May 31, 2020

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

	<b>Q1-21</b>	<b>Q1-20</b>
	<b>\$</b>	<b>\$</b>
<b>Tessouat-Sud</b>		
Geology	-	36,332
Geochemistry	-	138
	-	36,470
<b>Obwondiag</b>		
Geology	-	6,436
<b>Green Palladium</b>		
Project acquisition and maintenance	-	309
Geology	-	5,257
	-	5,566
<b>Grenville Zinc</b>		
Project acquisition and maintenance	-	-
Geology	-	862
Recharge to partner	-	(431)
		431
<b>Soufflot</b>		
Project acquisition and maintenance	363	928
Geology	333	-
Tax credits	(93)	-
	603	928
<b>Patrie</b>		
Project acquisition and maintenance	-	2,026
<b>Generation</b>		
Geology	-	200
<b>Total</b>		
Project acquisition and maintenance	534	3,263
Drilling	-	57,621
Trenching	-	64,874
Geology	7,834	80,412
Geochemistry	-	59,234
Recharge to partner	(1,754)	(105,055)
Tax credits	(1,702)	585
<b>Total exploration and evaluation expenditures</b>	<b>4,912</b>	<b>160,934</b>

**3.1 Calumet-Nord acquisition**

By paying \$100,000 cash to Ressources Tranchemontagne Itée before June 30, 2020, the Corporation completed the acquisition of 100% of the Calumet-Nord property, pursuant to the June 14, 2019 option agreement.

## SPHINX RESOURCES LTD.

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

Three months ended May 31, 2020

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#### 4. RESULTS OF OPERATIONS

General and administration expenses details are as follows:

	Q1-21	Q1-20
	\$	\$
Directors fees	14,000	14,500
Filing and transfer agent fees	2,155	3,191
Management fees	18,113	19,163
Office and miscellaneous	6,238	10,681
Professional fees	5,480	16,539
Promotion	7,487	10,395
Salaries and benefit	23,769	27,714
Governmental grants	(4,166)	-
Share-based payments	4,554	16,825
Travel	744	3,549
<b>General and administration</b>	<b>78,374</b>	<b>122,557</b>

General and administrative expenses decreased and highlights are as follows:

- Professional fees. In Q1-20, the Corporation incurred legal fees relating to the CPTAQ permits submission that did not repeat in Q1-21.
- Share-based payment. Stock options were granted as follows: 1,775,000 in August 2018, 750,000 in January 2019, 175,000 in May 2019 and 350,000 in August 2019. The share-based payment is recorded according to the vesting period.

In Q1-21, the Corporation reported a loss of \$61,764 (\$273,123 in Q1-20).

July 27, 2020

(s) Jeremie Ryan

Jeremie Ryan  
Chief Executive Officer

(s) Ingrid Martin

Ingrid Martin  
Chief Financial Officer