SPHINX

# ANNUAL REPORT
2018

**SPHINX RESOURCES LTD.**
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**President's Message**

July 3, 2018

Dear Fellow Shareholders,

Over the last year, Sphinx Resources has continued to make progress towards strengthening its solid foundation to create shareholder value with a strong team of mine finders and excellent projects in Quebec.

Two significant transactions have been announced:

- A strategic investment by Goldcorp in the creation of a new gold explorer in the Eeyou Istchee James Bay territory of Quebec, through the combination of Canada Strategic Metals and Matamec Explorations, with Sphinx Resources vending in its gold properties for shares in the new company, to be called Quebec Precious Metals Corporation ("QPM"). This transaction was closed on June 28; and
- The creation of a joint venture between Sphinx and Osisko Metals ("Osisko") to explore for zinc in the Grenville geological province in Quebec, in the same area of southwestern Quebec where Sphinx is already exploring with its partner SOQUEM, a subsidiary of Investissement Québec, a leading player in mineral exploration in Quebec with eight mines discovered over 50 years.

Sphinx's gold projects are being acquired in return for 1,200,000 shares of QPM. We believed that this share interest will create significant value for Sphinx.

The QPM transaction will allow Sphinx to focus solely on zinc in southwestern Quebec, through its current projects and the new joint venture with Osisko. The zinc projects are characterized by :

- good social acceptability;
- low cost exploration by ensuring year-round ground access; and
- located in high grade metamorphic terranes, which have been often overlooked for their exploration potential.

On the Calumet-Sud project, Sphinx and SOQUEM have defined a significant near surface zinc-bearing horizon. Drilling results are very encouraging. A follow-up exploration program is being elaborated to drill the mineralized horizon to further establish its continuity and mineral resource potential. This program will begin later this year. Other Sphinx zinc projects will be the subject of surface work to identify drill targets. Osisko and Sphinx combine their robust and complimentary technical expertise to carry out an exploration program, which aims to discover Balmat-type or Broken Hill-type zinc deposits in this promising region. Planning of the latter program is underway.
Please visit our website at www.sphinxresources.ca to monitor our progress or if you have any questions, you are welcome to contact me at your convenience.

I would like to take this opportunity once more to thank our shareholders for their support as we reiterate our commitment to create shareholder value for Sphinx through exploration success and strategic investments.

Sincerely,
Normand Champigny
President and Chief Executive Officer

This Management's Discussion and Analysis ("MD&A") reviews the activities, results of operations and financial position of Sphinx Resources Ltd. ("Sphinx" or the "Corporation") for the fiscal year ended February 28, 2018, together with certain trends and factors that are expected to have an impact in the future. The following abbreviations are used to describe the periods under review throughout this MD&A:

| Abbreviation | Period |
|---|---|
| Q1-17 | March 1, 2016 – May 31, 2016 |
| Q2-17 | June 1, 2016– August 31, 2016 |
| Q3-17 | September 1, 2016 – November 30, 2016 |
| Q4-17 | December 1, 2016 - February 28, 2017 |
| Fiscal 2017 | March 1, 2016 – February 28, 2017 |
| Q1-18 | March 1, 2017 – May 31, 2017 |
| Q2-18 | June 1, 2017– August 31, 2017 |
| Q3-18 | September 1, 2017 – November 30, 2017 |
| Q4-18 | December 1, 2017 - February 28, 2018 |
| Fiscal 2018 | March 1, 2017 – February 28, 2018 |
| Fiscal 2019 | March 1, 2018 – February 28, 2019 |

Sphinx was incorporated on June 28, 2005 and is governed by the *Canada Business Corporations Act*. The Corporation is a reporting issuer in Alberta, British Columbia, Ontario and Québec and its shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol SFX.

The following MD&A should be read in conjunction with the Corporation's audited financial statements for Fiscal 2017, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, the functional currency of the Corporation, unless otherwise stated. The effective date of this MD&A is June 11, 2018.

The Corporation's projects and their history are disclosed in press releases, technical reports and other continuous disclosure filings which may be viewed on the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.sphinxresources.ca.

The technical information contained in this MD&A has been reviewed and verified by Sphinx's President and Chief Executive Officer, Normand Champigny (ing., B.A.Sc., M.A.Sc.), who is a qualified person for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

### 1. CORPORATE OVERVIEW

#### 1.1 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 and precious metals. 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 and precious metals 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 Quebec, with potential expansion into other Canadian provinces.

## 1. CORPORATE OVERVIEW (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 Quebec (the "Grenville Zinc Project") (see section 1.6).

To create shareholder value from Sphinx's gold projects, Sphinx has announced that it is vending its gold assets, into a new company (to be named Quebec Precious Metals Corporation or "QPM") to be formed by the combination by way of plan of arrangement of Canada Strategic Metals Inc. ("Canada Strategic") and Matamec Explorations Inc. ("Matamec") for shares of QPM and whereby Goldcorp Inc. ("Goldcorp") would invest in QPM by way of a financing (see section 1.7).

### 1.2 Financing

On September 22, 2016, the Corporation closed the first tranche of a non-brokered private placement for aggregate gross proceeds of $276,500, comprised of 5,530,000 units of the Corporation at a price of $0.05 per unit. Each unit consists of one common share in the capital of the Corporation 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. The Corporation paid certain finder's 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 until September 22, 2019.

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.

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. 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.

### 1.3 Refundable mining credits received for $1,622,696

In Q1-17, the Corporation was informed by Revenu Quebec of the favorable resolution of the objection process related to the refundable tax credit for resources for fiscal years 2009, 2010 and 2011 and received a reimbursement of $247,665. In addition, the Corporation received the fiscal 2014 Quebec refundable credits on mining duties for losses for $739,272. The Corporation also received $95,098 relating to the Fiscal 15 and Fiscal 2016 refundable tax credit for resources and refundable credits on mining duties for losses. Finally, the Corporation received $540,661 of Quebec refundable credits on mining duties for losses for 2012 to 2014.

## 1. CORPORATE OVERVIEW (CONT'D)

These reimbursements totalling $1,622,696 dramatically improved the financial position of the Corporation and facilitated the payment of all its outstanding trade payables at the time. In March 2016, the Corporation reimbursed the residual balance of the loan payable for $160,000 and was released from a forbearance agreement.

### 1.4 Convertible debentures

During Fiscal 2016, the Corporation issued a total of 900,000 common shares in lieu of a cash payment for the interest on the first and second 6-month tranches totalling $45,000, in accordance with the terms of the convertible debentures issued by the Corporation on December 19, 2014.

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 last twenty trading days, 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.

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 as well as their 576,923 warrants exercisable at $0.17. During Fiscal 2018, the Corporation issued 318,465 common shares in lieu of a cash payment for the interest of $17,993.

### 1.5 Eco-Niobium promissory note

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 bridge loan 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. 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 TSX-V 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 two directors being also directors of Eco-Niobium, namely Normand Champigny 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.

### 1.6 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").

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;

## 1. CORPORATE OVERVIEW (CONT'D)

- 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.

### 1.7 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. After, Canada Strategic is to merge with 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, 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.

## 2. EXPLORATION PROJECTS

For mineral 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:

| | Q4-18 | Q4-17 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Calumet-Sud** | | | | |
| Project acquisition and maintenance | - | 139 | 525 | 233 |
| Share issuance | - | - | 128,077 | 76,923 |
| Option payment | - | - | - | (7,000) |
| Drilling | 113,275 | - | 119,729 | - |
| Trenching | - | - | 30,852 | - |
| Geology | 56,769 | 3,196 | 165,349 | 3,399 |
| Geochemistry | - | - | 56,938 | - |
| Recharge to partner | (83,576) | (1,918) | (185,129) | (1,918) |
| Tax credits | 5,332 | (279) | (25,923) | (348) |
| | 91,800 | 1,138 | 290,418 | 71,289 |

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

| | Q4-18 | Q4-17 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Tessouat** | | | | |
| Project acquisition and maintenance | - | - | 26,000 | - |
| Shares issuance | - | - | 5,500 | - |
| Geology | - | - | 672 | - |
| Geochemistry | - | - | 14,158 | - |
| Tax credits | 833 | - | (4,049) | - |
| | 833 | - | 42,281 | - |
| **Tessouat-Sud** | | | | |
| Project acquisition and maintenance | 401 | - | 19,747 | - |
| Geology | 348 | - | 4,041 | - |
| Tax credits | 142 | - | (692) | - |
| | 891 | - | 23,096 | - |
| **Obwondiag** | | | | |
| Project acquisition and maintenance | - | - | 6,418 | - |
| Geology | - | - | 219 | - |
| Tax credits | 12 | - | (56) | - |
| | 12 | - | 6,581 | - |
| **GPd** | | | | |
| Project acquisition and maintenance | 174 | 376 | 1,096 | 8,616 |
| Drilling | 3,700 | 1,000 | 160,194 | 1,000 |
| Geology | 4,820 | 18,238 | 60,590 | 84,132 |
| Geophysics | - | - | 24,952 | 36,655 |
| Geochemistry | 1,930 | - | 12,964 | 325 |
| Tax credits | 13,073 | (6,648) | (63,549) | (41,377) |
| | 23,697 | 12,966 | 196,247 | 89,351 |
| **Cheechoo-Éléonore Trend** | | | | |
| Project acquisition and maintenance | - | (484) | - | 38,085 |
| Geology | 8,233 | 7,144 | 210,330 | 58,832 |
| Geochemistry | - | 85 | 38,847 | 85 |
| Recharge to partner | - | (6,064) | (50,303) | (6,064) |
| Tax credits | 9,304 | (508) | (73,578) | (23,070) |
| | 17,537 | 173 | 125,296 | 67,868 |
| **Chemin Troïlus** | | | | |
| Project acquisition and maintenance | - | 373 | 1,632 | 38,743 |
| Share issuance | - | - | - | 30,000 |
| Drilling | - | - | 108,775 | - |
| Geology | - | 21,351 | 91,834 | 61,919 |
| Geophysics | - | - | 30,400 | - |
| Line cutting | - | - | 12,259 | - |
| Geochemistry | - | - | 54,050 | - |
| Tax credits | 14,510 | (9,320) | (114,750) | (27,028) |
| | 14,510 | 12,404 | 184,200 | 103,634 |

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

| | Q4-18 | Q4-17 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Somanike** | | | | |
| Project acquisition and maintenance | 671 | 271 | 5,787 | 3,941 |
| Share issuance | - | - | - | - |
| Drilling | - | - | - | - |
| Geology | 590 | 10,722 | 4,993 | 61,723 |
| Geophysics | - | - | - | - |
| Geochemistry | - | - | - | - |
| Tax credits | 232 | (3,384) | (1,127) | (20,603) |
| | 1,493 | 7,609 | 9,653 | 45,061 |
| **Project Generation** | | | | |
| Project acquisition and maintenance | - | - | 560 | - |
| Geology | - | 1,700 | 2,500 | 6,637 |
| Tax credits | 132 | (574) | (640) | (2,240) |
| | 132 | 1,126 | 2,420 | 4,397 |
| **Total** | | | | |
| Project acquisition and maintenance | 1,246 | 675 | 61,765 | 89,618 |
| Share issuance | - | - | 133,577 | 106,923 |
| Option payment | - | - | - | (7,000) |
| Drilling | 116,975 | 1,000 | 388,698 | 1,000 |
| Trenching | - | | 30,852 | - |
| Geology | 70,760 | 62,351 | 544,837 | 276,642 |
| Geophysics | - | - | 55,352 | 36,655 |
| Line cutting | - | - | 12,259 | - |
| Geochemistry | 1,930 | 85 | 172,648 | 410 |
| Recharge to partner | (83,576) | (7,982) | (235,432) | (7,982) |
| Tax credits | 43,570 | (20,713) | (284,364) | (114,666) |
| **Total exploration and evaluation expenditures** | **150,905** | **35,416** | **880,192** | **381,600** |

**Ziac District**

The "Ziac" (abbreviation for "zinc-Pontiac") zinc district is an emerging zinc play, 40-km long northwest trending corridor defined by zinc-bearing dolomitic marbles typical of the Balmat-Edwards-Pierrepont zinc district, located in the state of New York, United States. The Ziac district also covers meta-volcanic rocks that host the historic the 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$^2$);
- the Tessouat project (22 claims, 13 km$^2$);
- the Tessouat-Sud project (296 claims, 177 km$^2$);
- the Obwondiag project (96 claims, 53 km$^2$); and
- the GPd platinum group elements ("PGE") project (74 claims, 41 km$^2$) on which newly identified zinc potential has been confirmed.

## 2. EXPLORATION PROJECTS (CONT'D)

### 2.1 Calumet-Sud zinc project

### a) Project description

The project consists of 21 claims (12 km$^2$) located in the Pontiac regional county municipality in southwestern Québec. 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 owned 100% 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. A 2% net smelter return (''NSR'') royalty was granted to Gardin. Gardin is a company controlled by a director of the Corporation.

### b) Exploration work on the project

The exploration activities carried out to date have consisted of:

- helicopter-borne magnetic, spectrometer and electromagnetic surveys;
- ground induced polarization and gravimetric surveys;
- prospecting;
- soil geochemical sampling (1,924 soil samples, B horizon);
- diamond drilling (24 holes, 1,524 m) over a surface area of 1.5 km$^2$; and
- stripping and channel sampling (in 2017, 2 areas, 3,085 m$^2$, 121 samples.

Highlight of the first 13-hole drill program (2017) is:
- 3 m at 4% zinc in an extensive mineralized zone (over 1 km2)

Highlights of the second 11-hole drill program (2018) are:
- 13.1% zinc over 1.0 m within 3.8% zinc over 5.0 m
- 9.0% zinc over 1.0 m within 3.1% zinc over 6.4 m
- 6.6% zinc over 1.4 m within 3.0% zinc over 6.8 m

Highlights from channel sample composite samples are:
- 20.3 m at 2.4% Zn
- 6.0 m at 3.2% Zn
- 4.0 m at 3.3% Zn

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 horizon is stratiform, shallow-dipping and near-surface horizon over a surface area 113 m by 60 metres. 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.

## 2. EXPLORATION PROJECTS (CONT'D)

### 2.2 Tessouat project

#### a) Project description

The project is located 5 km northeast of the municipality of Waltham in the Pontiac regional county municipality 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 $km^2$), 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 1st, 2019 ($14,830 completed as at February 28, 2018); and the grant of a 2% NSR to Gardin.

#### b) Exploration work on the project

Sphinx carried out an exploration program that was completed in early fall 2017. The program consisted of soil sampling aimed to identify the most prospective areas and define drill targets in this high grade metamorphic environment. In October 2017, the Corporation announced that strong zinc anomalies, with values up to 5,650 ppm zinc and 271 ppm lead, have been identified. These results defined anomalous zinc and lead values over an area of about 400 m by 400 m, located in the central portion of the project.

Sphinx is designing a follow-up trenching and rock sampling program to be executed during the summer of 2018. The program will aim to investigate the most prospective areas and to define drill targets in this high grade metamorphic environment.

### 2.3 GPd project

#### a) Project description

The project consists of 74 claims (41 $km^2$) located in the Pontiac regional county municipality in southwestern Quebec. 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** |

Gardin was granted with a 2% NSR royalty.

## 2. EXPLORATION PROJECTS (CONT'D)

### b) Exploration work on the project

In 2015, Sphinx carried out IP, electromagnetic and magnetic ground surveys on the project that significantly improved the understanding of the geology and related mineralization. The surveys were followed by diamond drilling on priority geophysical targets outlined in the vicinity of the Pd-Cu-rich 1958 blasted test pit. Drill hole assay results from the 2015 and 2017 drilling campaigns (19 holes totaling 1,931 m) support the extension of the stratabound PGE reef over a distance of 800 metres. The reef remains open in all directions. Regional compilation suggests an interpreted surface expression of the target horizon over an estimated 11 kilometres. The mineralized reef, returned 3.44 g/t Pd+Pt+Au over 40 cm at the main showing area and was intersected in 12 of the 19 drill holes completed to date.

This discovery occurs in a previously unrecognized layered igneous complex now named the "Obwondiag layered igneous complex". Mineralization is hosted in an interpreted "reef" horizon of metamorphosed and sulphide – mineralized pyroxenite and melanogabbro. This horizon exhibits disseminated sulphides with local sulphide percentages high enough to produce net-textured sulphides. The sulphides are comprised primarily of pyrrhotite (iron sulphide) and chalcopyrite (copper sulphide). Mineralized breccias exhibiting magmatic textures with centimeter-scale rounded pyroxenite xenoliths contained in a massive sulphide constitute the stratigraphic top of the reef. There appears to be a strong correlation between the presence of chalcopyrite and high palladium values. The highest palladium, platinum and gold values are in the sulphide-poor basal section of the intersected reef.

Exploration results obtained to date are encouraging and must be put into the perspective that at producing PGE mines only two out of three drill holes show economic grades along the same reef.

Sphinx is currently seeking of a partner to continue to advance the project.

## 2.4 Cheechoo-Éléonore Trend project (see section 1.7)

### a) Project description

The project consists of 551 claims (286 km$^2$) along the northwest extension of the Cheechoo-Éléonore trend, located in the Eeyou Istchee James Bay territory, Québec. On August 23, 2016, the Corporation signed a letter of agreement to form a 50-50% joint venture with Sirios Resources Inc. ("Sirios") to explore the claims located on this promising trend. 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.

### b) Exploration work on the project

Till sampling programs completed in 2016 and 2017 on the project suggest a local source for gold detected in tills from the two priority targets. A follow-up program on these two targets was recently completed. The objective of the program was to attempt to establish the primary source of the gold. The targets and showings that will present the best gold potential will be eventually tested by drilling.

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

**2.5 Chemin Troïlus project** (see section 1.7)

**a) Project description**

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.

**b) Exploration work on the project**

The project is located 110 km north-northeast of the town of Chibougamau with good road access (see figure below). The project is situated at the southwest extremity of a northeast trending gold-copper bearing corridor at the northern limit of the Frotet-Troïlus greenstone belt. This corridor contains the Troïlus Mine (25 km northeast of the project) which was operated by Inmet Mining Corporation ("Inmet") from 1997 to 2010 and produced in excess of 2 million ounces of gold and 70,000 tonnes of copper. In addition, estimated indicated mineral resources of 44 million tonnes containing 1.8 million ounces of gold grading 1.27 g/t and 53,000 tonnes of copper grading 0.12 %, have been reported by Sulliden Mining Capital Inc. Between the Troïlus mine and the project area, Muscocho Explorations Ltd. ("Muscocho") reported in 1987 mineralization in trenches and drillholes. Highlights include one drillhole that returned 2.26 g/t Au over 5.40 metres.

A helicopter-borne magnetic and radiometric survey performed by SOQUEM and Inmet in 2000 (Sigeom GM 59797) aimed to discover deposits similar to the Troïlus Mine. A first mineralized boulder was discovered along the southwest extension of gold-bearing corridor between the Troïlus Mine and the Muscocho showing. Prospecting work by Tectonic identified 13 additional mineralized boulders within an area 220 m by 45 m trending to the northeast within the corridor. The analysis of the boulders, anomalous in gold, revealed values up to 1.57 g/t Au. The boulders are angular, mineralized uniformly and majority of the boulders are greater than one metre in diameter. They contain 1 to 5% disseminated pyrite, 2 to 5% sericite and traces of magnetite. There is also 1 to 2% garnet indicating the high grade metamorphic nature of the rock.

The work carried out in 2016 revealed the presence of an abnormal number of gold particles, morphologically intact, in till samples taken at the head of a gold-bearing boulders dispersal train. The results obtained suggest a proximal common source in an area of 1.2 by 1.0 km up-ice of the head of the boulders dispersal train. In 2017, a drilling program was designed to attempt to discover a bedrock source of a mineralized boulders dispersal train in an area of the project characterized by weak to moderate induced polarization responses and coincident and strong magnetic anomalies. Highlight from the drill results is 2.5 g/t Au over 0.9 m in drill hole CT-17-06.

The project area where the boulder dispersal train is located, has no outcrop and is covered with a uniform till blanket ranging from 6 to 10 m in thickness. No previous work had been performed in this specific area. The rocks intersected were Archean metasedimentary rocks, metavolcanic rocks, granitoid rocks and breccias. The gold value returned from drill hole CT-17-06 was in a breccia. The mineralized boulders, however, were not explained by this initial drill program and their bedrock source remains an exploration priority. In combination with the drilling, the till results described below further support the prospectivity of the area. Additional work will be required to identify the source of the boulders.

## 2. EXPLORATION PROJECTS (CONT'D)

### Till survey

The two main objectives of the till sampling program were to identify other proximal source areas of the gold anomalies detected in the cover in 2016 and to discover other gold-bearing zones on the project. A total of 53 till samples were taken to provide coverage of the entire project area. Till samples weighing about 20 kg were collected at an average depth of about 1.2 meters. A total of 33 till samples contain one or more gold particles with sample 79012 containing more than 1,000 particles. The latter sample is part of a 3-km long southwest-northeast trend, parallel to the glacial flow direction defined by till samples with more than 40 gold particles. Within this trend, a grab sample returned a grade of 5.6 g/t Au. Three adjacent till samples along the same sampling line perpendicular to the glacial flow direction and containing between 40 and 100 gold particles, constitute a new exploration target on the project.

Sphinx intends to carry out in 2018 more surface work and drilling to identify source of boulders and to identify project partner.

## 2.6 Somanike project (see note 1.7)

### a) Project description

The Somanike project comprises 95 claims over a 45 km$^2$ surface area and is located about 25 km north-west of the town of Malartic, in the Abitibi region of Québec. The Somanike project was named as part of the signing of a cooperation agreement between Sphinx and the Abitibiwinni first nation, based at Pikogan, Québec.

Royal Nickel has 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.

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

| | Work | |
|---|---|---|
| | **Commitment** | **Completed** |
| | **$** | **$** |
| On or before June 15, 2018 (see note 1.7) | 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** |

Globex has 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.

### b) Exploration work on the project

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

## 3. SELECTED ANNUAL INFORMATION

| | Fiscal 2018 | Fiscal 2017 | Fiscal 2016 |
|---|---|---|---|
| | $ | $ | $ |
| **Financial Results** | | | |
| Interest income | 2,454 | 302 | 14,366 |
| Loss | (1,581,470) | (686,252) | (683,392) |
| Basic and diluted loss per share | (0.02) | (0.01) | (0.02) |
| **Financial Position** | | | |
| Working capital | 273,158 | 1,645,145 | 232,482 |
| Total assets | 619,063 | 1,887,439 | 1,265,810 |
| Total non-current liabilities | - | 113,897 | 24,630 |
| Total equity | 316,728 | 1,559,923 | 219,848 |

The main variation in loss is explained by the level of exploration and evaluation expenditures (recorded as expenses in the statement of loss): $836,622 in Fiscal 2018, $381,600 in Fiscal 2017, $466,023 and in Fiscal 2016.

## 4. RESULTS OF OPERATIONS

General and administration expenses details are as follows:

| | Q4-18 | Q4-17 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Directors fees | 12,000 | 12,000 | 48,000 | 48,000 |
| Filing and transfer agent fees | 4,162 | 13,624 | 32,097 | 44,023 |
| Management fees | (3,126) | 10,585 | 48,414 | 60,900 |
| Office and miscellaneous | 6,906 | 10,092 | 35,551 | 35,396 |
| Professional fees | 64,350 | 63,762 | 114,214 | 113,997 |
| Promotion | 32,737 | 61,637 | 245,940 | 111,530 |
| Salaries and benefit | 36,546 | 33,532 | 144,277 | 132,475 |
| Share-based payments | - | - | - | 88,450 |
| Travel | 19,626 | 16,184 | 67,921 | 30,762 |
| **General and administration** | **173,201** | **221,416** | **736,414** | **665,533** |

Finance costs details are as follows:

| | Q4-18 | Q4-17 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Provision on promissory note receivable | - | - | - | 85,000 |
| Accretion sublease reserve | - | 254 | 365 | 1,016 |
| Accretion of convertible debentures | 626 | 8,247 | 19,200 | 44,970 |
| Issuance costs on convertible debentures | - | 231 | - | 4,092 |
| Common shares issued in lieu of interest payment on convertible debentures | 17,993 | 45,004 | 17,993 | 45,004 |
| Reversal of interest accrued on convertible debentures | (9,200) | (42,719) | - | - |
| **Finance costs** | **9,419** | **11,017** | **37,558** | **180,082** |

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

### 4.1 Discussion on Q4-18 financial position and results of operations

For Q4-18, the Corporation reported a loss and comprehensive loss of $272,548 (Q4-17 – income of $272,895). The Corporation's loss per share was $0.003 (Q4-17 – income per share of $0.01).

See Section 2 for details of the exploration work done on the different projects totalling $107,335 (Q4-16 – $35,416).

**a) General and Administrative**

During Q4-18, general and administrative expenses decreased to $173,201 (Q4-17 - $221,416) and highlights are as follows:

- Promotion. During Q4-18, $32,737 Promotion expenses were incurred (Q4-17 $61,637). In Q4-17, several actions were launched to increase awareness of the Corporation's activities and the level of promotion activities in Q4-18 was lower.

**b) Finance costs**

During Q4-18, finance costs were at $9,419 (Q4-17 - $11,017) and highlights are as follows:

- Of the 375,000 convertible debenture initially issued in December 2014, $225,000 were converted in common shares in December 2016 and $150,000 was extended, explaining the lower interest cost.

**c) Current tax recovery**

In Q4-17, the Corporation received the $540,661 relating to the 2012-2013-2014 mining duty refunds for which it had filed a notice of objection with Revenu Québec.

### 4.2 Discussion on Fiscal 2018 financial position and results of operations

For Fiscal 2018, the Corporation reported a loss and comprehensive loss of $1,581,470 (Fiscal 2017 - $686,252). The Corporation's loss per share was $0.02 (Fiscal 2017 - $0.01).

See Section 2 for details on the exploration work done on the different projects totalling $836,622 in Fiscal 2018 (Fiscal 2017 – $381,600).

**a) General and Administrative**

General and administrative expenses increased to $736,414 in Fiscal 2018 (Fiscal 2017 - $665,533) and highlights are as follows:

- Promotion. Several actions were performed to increase awareness of the Corporation's activities including meetings with potential investors in the USA, design and adoption of improved media and investor relations materials, initiate a corporate communications plan and enhancements of the web site.
- Share-based payments. On October 13, 2016, 1,450,000 stock options were granted to directors, officers, advisors and consultants at an exercise price of $0.10 for 10 years, vesting immediately. An $88,450 fair value was estimated using the Black-Scholes model (none in Fiscal 2018).
- Travel. The CEO attended more mining events and conferences.

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

### b) Finance costs

During Fiscal 2018, finance costs decreased to $37,558 (Fiscal 2017 - $180,082) and highlights are as follows:

- Provision on promissory note receivable. See section 1.5 on the $85,000 Eco-Niobium promissory note incurred in Fiscal 2017.
- Of the 375,000 convertible debenture initially issued in December 2014, $225,000 were converted in common shares in December 2016 and $150,000 was extended, explaining the lower interest cost.

### c) Others

**i)** ***Flow-through shares premium***

In Fiscal 2018, a $17,510 (none in Fiscal 2017) recovery of deferred income taxes was recognized to record the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the November 2017 private placement.

***ii) Current tax recovery***

In Fiscal 2017, the Corporation received the $540,661 relating to the 2012-2013-2014 mining duty refunds for which it had filed a notice of objection with Revenu Québec.

## 5. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Corporation recorded a loss of $1,581,470 in Fiscal 2018 and has an accumulated deficit of $71,832,854 as at February 28, 2018. 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 had working capital of $273,158 ($1,645,145 as at February 28, 2017).

While the Corporation has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If new funding is not obtained, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

Major sources of cash during Fiscal 2018 were the issuance of units for $185,680 and flow-through shares for $62,200. Also the Corporation cashed $1,622,696 of Québec refundable credits on mining duties and of refundable tax credit for resources. The Corporation used Cash flows in operating activities for $1,895,787.

Major sources of cash during Fiscal 2017 were the issuance of units for $1,679,310. Also the Corporation cashed $1,622,696 of Québec refundable credits on mining duties and of refundable tax credit for resources. Major cash flow received from operating activities during Fiscal 2017 amounted to $286,015 (cash flow used in operating activities of $1,336,681 when deducting the $1,622,696 Québec refundable credits mentioned above), $160,000 repayment of the loan payable and $85,000 disbursed for the Eco-Niobium promissory note.

## 5. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

### 5.1 Cash flow projection

Following is a table showing the cash flow projection up to February 28, 2019. This projection is a non IFRS measure.

| | Up to February 28, 2019 |
|---|---|
| | $ |
| February 2018 cash | 72,000 |
| Net tax credits to be received | 443,000 |
| Projected financing[1] | 2,000,000 |
| Share issue expenses | (175,000) |
| Operating expenses | (655,000) |
| Exploration budget | (512,000) |
| Claim staking, project acquisition and maintenance | (29,000) |
| **Total** | 1,145,000 |

1) While the Corporation has secured financing in the past, there can be no assurance it will be able to do so for the projected financings.

## 6. SELECTED QUARTERLY INFORMATION

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

| | Q4-18 | Q3-18 | Q2-18 | Q1-18 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Interest and project management income | 4,207 | 4,277 | 1,610 | 1,520 |
| Loss | (272,548) | (352,524) | (554,579) | (401.819) |
| Loss per share | (0.003) | (0.004) | (0.006) | (0.005) |
| Working capital | 273,158 | 669,384 | 809,864 | 1,246,066 |
| Total assets | 619,063 | 918,854 | 1,017,294 | 1,441,930 |

| | Q4-17 | Q3-17 | Q2-17 | Q1-17 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Interest income | 83 | 81 | 138 | - |
| Earnings (loss) | 272,895 | (327,710) | (496,977) | (134,460) |
| Earnings (loss) per share | 0.01 | (0.01) | (0.01) | - |
| Working capital (deficiency) | 1,645,145 | (305,328) | (299,346) | 96,610 |
| Total assets | 1,887,439 | 347,456 | 289,855 | 589,280 |

Highlights for each quarter are as follows.

**Q3-18**

On November 1, 2017, the Corporation closed a private placements totalling $62,200 by issuing 1,244,000 units at a price of $0.05 per unit and $185,680 by issuing 2,856,616 flow-through units at a price of $0.065 per unit.

## 6. SELECTED QUARTERLY INFORMATION (CONT'D)

### Q2-18

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.

### Q4-17

On January 9, 2017, the Corporation issued 4,500,000 common shares as repayment of \$225,000 convertible debentures. The \$150,000 convertible debenture issued to SIDEX was extended for 2 years and as well as the warrants initially issued in conjunction with the convertible debenture.

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.

In Q4-17, the Corporation received \$540,661 of Quebec refundable credits on mining duties for losses for fiscal years 2012 to 2014.

### Q3-17

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.

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.

### Q2-17

On June 4, 2016, the Corporation signed a project acquisition agreement with Les Ressources Tectonic Inc. ("Tectonic") whereby a 100% undivided interest in 24 claims was purchased for the following considerations: issuance of 1,000,000 common shares of the Corporation valued at \$30,000, \$35,000 cash payment and 2% NSR royalty of which 1.5% can be bought back by the Corporation for \$2,000,000. In addition, Sphinx has acquired 35 contiguous claims through map staking.

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. 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.

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.

## 6. SELECTED QUARTERLY INFORMATION (CONT'D)

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.

**Q1-17**

On March 25, 2016, the Corporation signed an option and joint venture agreement with SOQUEM for an option to acquire an undivided 50% interest in the Calumet-Sud project.

In March 2016, the Corporation reimbursed the residual balance of the loan payable of $160,000 and was released from a forbearance agreement.

In Q1-17, the Corporation was informed by Revenu Quebec of the favorable resolution of the objection process related to the refundable tax credit for resources for fiscal years 2009, 2010 and 2011 and received a reimbursement of $247,665. In addition, the Corporation received the fiscal 2014 Quebec refundable credits on mining duties for losses for $739,272.

## 7. SUBSEQUENT EVENTS

See sections 1.6 and 1.7.

## 8. RELATED PARTY AND KEY MANAGEMENT TRANSACTIONS

In the normal course of operations, in Fiscal 2018:

- A company controlled by Ingrid Martin, CFO, corporate secretary and director, charged $48,414 ($60,900 in Fiscal 2017) of management fees as CFO. She also charged $22,233 ($23,605 in Fiscal 2017) for professional fees for her company's staff.
- 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.

Out of the normal course of operations, in Fiscal 2018:

- Michel Gauthier, president of Gardin, is director of the Corporation.
  - 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.

## 9. OUTSTANDING SHARE DATA

The Corporation had the following securities issued and outstanding:

| | June 11, 2018 | February 28, 2018 |
|---|---|---|
| Shares | 91,236,036 | 91,236,036 |
| Stock options | 2,850,000 | 2,850,000 |
| Warrants | 43,489,344 | 43,489,344 |
| Agent options and underlying warrants | 1,185,228 | 1,185,228 |
| | **138,760,575** | **138,760,575** |

## 9. OUTSTANDING SHARE DATA (CONT'D)

In addition to the above securities, the Corporation has a $150,000 convertible debenture, maturing in December 2018, bearing interest at a rate of 12% per year, payable in cash or shares every six months, at a price per share based on the 20-day volume weighted average price of the common shares ("VWAP") and subject to the Exchange approval. The debenture is convertible into common shares at a price of $0.13 during the term of the debenture. At the maturity date, the debenture can be repaid in cash or in shares at a price per share based on the VWAP, subject to Exchange approval.

## 10. STOCK OPTION PLAN

The purpose of the stock option plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan. The maximum number of common shares that can be issued upon exercise of stock options granted under the Stock Option Plan is 4,700,000 common shares. 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.

## 11. CHANGES IN ACCOUNTING POLICIES

Refer to note 3 of the Fiscal 2018 financial statements.

## 12. FINANCIAL INSTRUMENTS

Refer to note 16 of the Fiscal 2018 financial statements.

## 13. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

## 14. RISKS AND UNCERTAINTIES

The business of exploration and mining involves a high degree of risk and there can be no assurance that the Corporation's exploration programs will result in profitable mining operations. Companies in this industry are subject to a variety of risks, including but not limited to, environmental and social acceptability issues, commodity prices, political and economic instability, with some of the most significant risks being:

a) Substantial expenditures are required to explore for mineral resources and the chances of identifying economically recoverable reserves are extremely remote;
b) Even if the Corporation's exploration programs are successful, factors beyond the control of the Corporation may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.
c) Substantial expenditures are required to develop mineral reserves;
d) The junior resource market, where the Corporation raises funds, is extremely volatile and there is no guarantee that the Corporation will be able to raise funds as it requires them;

**14. RISKS AND UNCERTAINTIES** (CONT'D)

e) Although the Corporation has taken steps to verify ownership and legal title to the mineral projects in which it has an interest, according to the usual industry standards for the stage of exploration and development of such projects, these procedures do not guarantee the Corporation's title. Such projects may be subject to prior agreements or transfers and title may be affected by undetected defects;

f) The Corporation is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous materials and other matters. The Corporation conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its projects that may cause material liability to the Corporation;

g) Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Corporation may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Corporation may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Corporation assets or the insolvency of the Corporation;

h) The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects;

i) No assurance can be made that Canada Revenue Agency and provincial agencies will agree with the Corporation's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

j) Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax and mining duty increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Corporation, such as government regulations. The Corporation undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

k) The mining industry is intensely competitive in all its phases. The Corporation competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

l) Management of the Corporation rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations;

m) Certain directors and officers of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors or officers of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

## 15. FORWARD-LOOKING STATEMENTS

This management's discussion and analysis contains forward looking statements reflecting Sphinx's objectives, estimates and expectations. These statements are identified by the use of verbs such as ''believe'', ''anticipate'', ''estimate'', and ''expect''. As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Corporation's projections or expectations.

June 11, 2018

| | |
|---|---|
| *(s) Normand Champigny* | *(s) Ingrid Martin* |
| Normand Champigny | Ingrid Martin |
| Chief Executive Officer | Chief Financial Officer |

pwc

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.

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**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.

# SPHINX RESOURCES LTD.
## Corporate Information

**Directors and Officers**

**François Biron**, Ing. Director (1) (2) (3)
**Normand Champigny**, Ing. President, Chief Executive Officer and Director (1) (3)
**Ingrid Martin**, CPA, CA, Chief Financial Officer, Corporate Secretary and Director
**John W.W. Hick**, Chairman (1) (2)
**Kerry E. Sparks**, P. Geo., Director (2) (3)
**Michel Gauthier**, P. Geo., Ing. Director

(1) Member of the Audit and Risk Committee
(2) Member of the Compensation Committee
(3) Member of the Governance and Monitoring Committee

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