

**SHERPA II HOLDINGS CORP.**  
MANAGEMENT DISCUSSION & ANALYSIS  
For the Three Months Ended September 30, 2019

This Management Discussion and Analysis (“MD&A”) of Sherpa II Holdings Corp. (“Sherpa II” or the “Company”) has been prepared by management as of November 28, 2019 and should be read together with the unaudited condensed interim financial statements and related notes for the period ended September 30, 2019 which are prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional information regarding the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). All of the following amounts are expressed in Canadian dollars unless otherwise stated. The reader should also refer to the annual audited financial statements for the period ended June 30, 2019.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

### **Overall Performance**

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on January 18, 2018.

The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO”) on the TSX Venture Exchange (“Exchange”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the Exchange. As a CPC, the Company’s principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange (“Qualifying Transaction”).

On September 20, 2018, the Company completed its IPO whereby it issued 2,881,000 common shares at a price of \$0.10 per common share for proceeds of \$288,100. In addition, the Company completed a non-brokered private placement whereby it issued 1,500,000 common shares at \$0.10 per common share for proceeds of \$150,000. The Company also issued to the agent an option to acquire 288,100 common shares of the Company at a price of \$0.10 per share, expiring September 20, 2020. Aggregate share issuance costs related to these financings totaled \$48,298.

On September 20, 2018, the Company granted 638,100 stock options exercisable at \$0.10 for a period of 5 years.

The proposed business of the Company and the completion of a Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company’s ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

### **Results of Operations**

For the three months ended September 30, 2019, the Company reported a net loss of \$7,311 (2018: \$81,237) comprised of general and administrative fees of \$7,311 (2018: \$31,991), stock-based compensation of \$Nil (2018: \$47,939) and professional fees of \$Nil (2018: \$1,307). The decrease of \$73,926 is primarily related to the stock options granted during the period ended September 30, 2018 and a decrease in general and administrative costs as the comparative period included costs related to listing the Company and the initial public offering.

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**Summary of Quarterly Results**

As the Company was incorporated on January 18, 2018, only the prior 7 quarters have been provided below:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net Loss for the Period	\$ (7,311)	\$ (12,875)	\$ (15,575)	\$ (4,762)	\$ (81,237)	\$ (26,447)	\$ (25)
Loss per Share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.17)	\$ -	\$ -

**Liquidity and Capital Resources**

The Company reported working capital of \$381,781 at September 30, 2019 (June 30, 2019 - \$389,092) and cash of \$384,864 (June 30, 2019 - \$389,625).

As of September 30, 2019, the Company has current liabilities of \$5,250 (June 30, 2019 - \$4,000).

On January 18, 2018, the Company issued 1 common share pursuant to the inception of the Company at a price of \$1.00 per share. On March 14, 2018, the 1 common share was repurchased by the Company at a cost of \$1.

On March 14, 2018, the Company issued 2,000,000 common shares at \$0.05 per share for total proceeds of \$100,000. The Company incurred share issuance costs of \$7,728 in relation to these issuances.

On September 20, 2018, the Company completed its IPO whereby it issued 2,881,000 common shares at a price of \$0.10 per common share for proceeds of \$288,100. In addition, the Company completed a non-brokered private placement whereby it issued 1,500,000 common shares at \$0.10 per common share for proceeds of \$150,000. The Company also issued to the agent an option to acquire 288,100 common shares of the Company at a price of \$0.10 per share, expiring September 20, 2020. Aggregate share issuance costs related to these financings totaled \$63,602, which includes the fair value of warrants issued to the agent, commission of \$28,810 and corporate financing fee of \$19,488 paid to the agent.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

**Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

**Transactions with Related Parties**

During the three months ended September 30, 2019 and 2018, the Company entered into the following transactions with related parties:

- Key management compensation paid and accrued to directors, officers and companies in which directors and officers are shareholders and employees consisted of stock-based compensation of \$Nil and \$47,939, respectively.

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**Proposed Transactions**

None.

**Capital Management**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. While the Company has considered a number of potential candidates for the purpose of effecting a QT, to date it has not entered into any Agreement in Principle within the meaning of the term under Exchange Policy 2.4. To secure the additional capital necessary to pursue potential acquisitions, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under Exchange Policy 2.4.

**Critical Accounting Estimates**

Not applicable for Venture Issuers.

**New accounting standards and interpretations**

The Company adopted the following new accounting standard and interpretation:

*IFRS 16, Leases* (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

*IFRIC 23, Uncertainty over Income Tax Treatments* (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements

**Financial Instruments and Other Instruments**

The carrying amounts of cash and accounts payable approximate fair value because of the short-term maturity of these items.

**Risks and Uncertainties**

The Company is actively working to identify and evaluate assets or businesses in order to complete a QT and currently has no source of recurring income. The Company has not commenced commercial operations, and has no significant assets other than cash, has no history of earnings and shall not generate earnings or pay dividends until at least after the completion of a QT, if at all. Until the completion of a QT, the Company is not permitted to carry on another business other than the identification and evaluation of significant assets in pursuit of a QT.

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There can be no assurances that the Company will identify any assets or businesses in pursuit of a QT, or have the financial resources necessary to complete a QT. Nor can there be an assurance that the Company will be able to obtain additional financing in the future on terms acceptable to the Company or at all.

The Company's success depends to a certain degree upon key members for the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

## **Financial Instruments and Risk Management**

### Management of Financial Risks.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The Company manages its credit risk relating to cash through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company assessed credit risk as low.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has no source of revenue and has obligations to meet its administrative overheads and to settle amounts payable to its creditors. The Company has been successful in raising equity financing; however, there is no assurance that it will be able to do so in the future. The Company assesses liquidity risk as low.

#### Foreign Exchange Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has a nominal amount of cash denominated in foreign currencies. The Company assess foreign exchange risk as low.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

#### (a) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's cash is measured at fair value. Cash is measured using level 1 inputs.

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**Other Requirements**

***Summary of Outstanding Securities as at November 28, 2019***

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 6,381,000 Shares (including 2,000,000 Shares held in escrow)

Stock options: 638,100 @ \$0.10 per share.

Warrants: 288,100 @ \$0.10 per share

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).