

SHERPA II HOLDINGS CORP.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended June 30, 2020

This Management Discussion and Analysis (“MD&A”) of Sherpa II Holdings Corp. (“Sherpa II” or the “Company”) has been prepared by management as of October 23, 2020 and should be read together with the audited financial statements and related notes for the year ended June 30, 2020, 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. All of the following amounts are expressed in Canadian dollars unless otherwise stated.

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 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.

On August 18, 2020 the Company announced that it had entered into a definitive purchase agreement with District Metals Corp. to acquire an 80% undivided interest in eight mineral claims (the “Bakar Claims”) located in northwestern Vancouver Island, British Columbia, and a 100% undivided interest in all technical data relating to the Bakar Claims. The intention is for the Transaction to constitute the Company’s Qualifying Transaction. The Company will acquire the Bakar Claims and all technical data for total consideration of:

- \$50,000 cash payment;
- 1,000,000 common shares of Sherpa II;
- \$200,000 in work expenditures within six months of closing; and
- Carryover of the 2.0% net smelter royalty (“NSR”) from the royalty agreement dated July 12, 2019, between the Company and Longford Capital Corp. on one of the eight mineral claims that comprises Bakar. The 2.0% NSR may be repurchased entirely for \$6,500,000 cash.

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Concurrent with the closing of the Transaction, the Company expects to complete a private placement for gross proceeds of \$300,000. The Company expects to issue 1,250,000 common shares at a price of \$0.08 per common share for aggregate gross proceeds of \$100,000 and 2,000,000 common shares to be issued as “flow-through shares” at a price of \$0.10 per flow-through common share, for gross proceeds of \$200,000.

Selected Annual Information

The selected financial information below are derived from the Company’s audited consolidated financial statements for the years ended June 30, 2020, 2019 and 2018, prepared in accordance with IFRS. The Company’s significant accounting policies and new accounting policies applied in the preparation of its consolidated financial statements are outlined in Note 3 to the Company’s audited consolidated financial statements for the years ended June 30, 2020 and 2019.

	Year ended		
	June 30, 2020	June 30, 2019	June 30, 2018
Total revenue	\$ -	\$ -	\$ -
Net loss	75,386	114,449	26,472
Basic and diluted loss per common share:	0.02	0.04	0.00

	As at		
	June 30, 2020	June 30, 2019	June 30, 2018
Cash	\$ 332,619	\$ 389,625	\$ 79,181
Total assets	337,661	393,092	99,681
Current and total liabilities	23,955	4,000	33,881
Shareholders’ equity	313,706	389,092	65,800

For a discussion of the factors affecting the Company’s losses see “Results of Operations” and “Fourth Quarter” below.

Results of Operations

For the year ended June 30, 2020, the Company reported a net loss of \$75,386, a decrease in loss of \$39,063 as compared to the net loss of \$114,449 for the year ended June 30, 2019. The decrease in loss was driven by a decrease in stock based compensation of \$47,939, as there were no option grants during the year; and transfer agent and filing fees of \$19,889 as a result of higher transfer agent and filing fees being incurred in the prior year in connection with the Initial Public Offering. These decreases were partially offset by increases to professional fees of \$27,419 and general and administrative fees of \$1,346, as a result of increased service levels compared to the prior year.

Summary of Quarterly Results

A summary of the quarterly results for the prior 8 quarters is as follows:

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net Loss for the Period	\$ (31,001)	\$ (11,680)	\$ (25,394)	\$ (7,311)	\$ (12,875)	\$ (15,575)	\$ (4,762)	\$ (81,237)
Loss per Share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.17)

Liquidity and Capital Resources

The Company reported working capital of \$313,706 at June 30, 2020 (June 30, 2019 - \$389,092) and cash of \$332,619 (June 30, 2018 - \$389,625).

As of June 30, 2020, the Company had current liabilities of \$23,955.

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 \$1.00.

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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 \$48,298.

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 year ended June 30, 2020, the Company did not enter into any transactions with related parties.

During the year ended June 30, 2019, 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 \$47,939.

Fourth Quarter

For the three months ended June 30, 2020, the Company incurred a net loss of \$31,001 compared to \$12,360 for the same period of 2019, an increase in loss of \$18,641. The increase in loss was driven by an increase in professional fees of \$19,607 as a result of increased service levels compared to the prior year. This was slightly offset by a decrease to general and administrative fees of \$1,481.

Proposed Transactions

On August 18, 2020 the Company announced that it had entered into a definitive purchase agreement with District Metals Corp. to acquire an 80% undivided interest in eight mineral claims (the "Bakar Claims") located in northwestern Vancouver Island, British Columbia, and a 100% undivided interest in all technical data relating to the Bakar Claims. The intention is for the Transaction to constitute the Company's Qualifying Transaction. The Company will acquire the Bakar Claims and all technical data for total consideration of:

- \$50,000 cash payment;
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- \$200,000 in work expenditures within six months of closing; and
- Carry over of the 2.0% net smelter royalty ("NSR") from the royalty agreement dated July 12, 2019 between District Metals Corp. and Longford Capital Corp. on one of the eight mineral claims that comprises the Bakar Claims. The 2.0% NSR may be repurchased entirely for \$6,500,000 cash.

Critical Accounting Estimates

Not applicable for Venture Issuers.

New accounting standard and interpretation

New accounting standards and interpretations

The Company adopted the following new accounting standard and interpretation:

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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 in the consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company does not have any leases, and as a result, this standard had no impact on the Company's consolidated financial statements on adoption.

Accounting standards issued but not yet adopted

The following amendment has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company is currently evaluating the potential impact of these amendments.

Financial Instruments and Other Instruments

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

Other Requirements

Summary of Outstanding Securities as at October 23, 2020

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 6,381,000 Shares (including 3,000,000 Shares held in escrow)

Stock options: 797,625 @ \$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.