

SHERPA II HOLDINGS CORP.

- and -

DISTRICT METALS CORP.

PURCHASE AGREEMENT

August 17, 2020

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SCHEDULE "A" DESCRIPTION OF BAKAR CLAIMS AND CLAIMS MAP

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT dated August 17, 2020.

BETWEEN:

SHERPA II HOLDINGS CORP., a company incorporated under the laws of the Province of British Columbia, with an office in the City of Vancouver, British Columbia, Canada (the "**Purchaser**")

AND:

DISTRICT METALS CORP., a company incorporated under the laws of the Province of British Columbia, with an office in the City of Vancouver, British Columbia, Canada (the "**Vendor**")

WHEREAS the Vendor owns and holds directly 100% of the right, title and interest in and to the mineral claims set out in Schedule "A" (collectively, the "**Bakar Claims**"), and the Purchaser has agreed to purchase and the Vendor has agreed to sell an 80% undivided legal and beneficial interest in the Bakar Claims (the "**Acquired Interest**") and a 100% undivided legal and beneficial interest in the Bakar Claims Data (as hereinafter defined), subject to and in accordance with the terms and conditions of this Agreement.

AND WHEREAS the Vendor and the Purchaser have agreed to enter into an unincorporated joint venture (the "**Joint Venture**") with respect to their respective interests in and to the Bakar Claims from and after Closing (as hereinafter defined), subject to and in accordance with the terms and conditions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the promises and mutual covenants and agreements hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 **Definitions.** In this Agreement, unless there is something in the subject matter or context inconsistent therewith or the term is otherwise defined, the following terms shall have the following meanings:

"Acquired Interest" has the meaning set forth in the recitals to this Agreement.

"Advance Amount" has the meaning set forth in Section 2.5.

"Agreement" means this purchase agreement, together with all schedules, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.

"Applicable Law" means (a) any federal, provincial or municipal or foreign statute, law (including common and civil law), code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, directive, decision, ruling, decree or award; or (c) any regulatory

policy, practice or guideline; any published administrative position; or of any Governmental Authority, binding on the Person referred to in the context in which the term is used or binding on the property of that Person referred to in the context in which the term is used.

“Bakar Claims” has the meaning set forth in the recitals to this Agreement.

“Bakar Claims Data” means all data related to the Bakar Claims in the possession of, or under the control of, the Vendor, including all digital data and paper form of information related to the Bakar Claims and not limited to but including maps, surveys, section drawings, plots, assays, drilling results, geophysical, geological, geochemical, geotechnical, metallurgical, underground workings information, mining records and for greater certainty any and all information related to the Bakar Claims in the possession or under the control of the Vendor, including all historical maps, sections, drawings surface or underground, assays, drill results and any recent exploration results including geophysical, geochemical and geological information.

“BCBCA” means the *Business Corporations Act* (British Columbia).

“Business Day” means any day, except Saturdays and Sundays, on which banks are generally open for business in the City of Vancouver, British Columbia.

“Closing” means the completion of the Transaction on the Closing Date in accordance with this Agreement.

“Closing Date” means the Business Day on which all conditions set forth in Article 3 (other than those conditions that by their nature are to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived or such other Business Day as the Parties may agree to in writing.

“Concurrent Private Placement” means the private placement of securities of the Purchaser to raise aggregate gross proceeds of at least \$300,000, the terms of such securities to be set out in industry standard subscription agreements to be entered into between the Purchaser and each of the subscribers thereunder.

“Consideration Shares” has the meaning set forth in Section 2.2.

“Constating Documents” means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, memorandum and articles of association, letters patent, supplementary letters patent, by-laws, partnership agreement, limited liability company agreement or other similar document, and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar contracts, arrangements and understandings applicable to the Person’s equity interests, all as amended, supplemented, restated and replaced from time to time.

“Contaminant” means any substance, combination of substances or by-product of any substance which is or may become hazardous, toxic, injurious or dangerous to any person, property, air, land, water, flora, fauna or wildlife; and includes but is not limited to contaminants, pollutants, wastes and dangerous, toxic, deleterious or designated substances as defined in, or regulated by, any Applicable Laws.

“CPC Policy” means Policy 2.4 – *Capital Pool Companies* of the TSXV.

“Encumbrance” means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, restrictive covenant, agreement, easement, lease, licence, right of occupation, option, right of first refusal, right of pre-emption, privilege or any matter capable of registration against title or any contract to create any of the foregoing.

“Environmental Laws” means any and all Applicable Laws relating to the protection of the environment, health, safety or natural resources including without limitation the presence, release, discharge, handling, transportation, storage, remediation or disposal of Contaminants.

“Filing Statement” means the filing statement of the Purchaser in the form prescribed by the TSXV, pertaining to the Qualifying Transaction and which shall be filed on SEDAR prior to the Closing.

“Governmental Authority” means any government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity.

“Interim Period” means the period from the date of this Agreement to the earlier of (i) the Closing Date; and (ii) the termination of this Agreement.

“Joint Venture” has the meaning set forth in the recitals to this Agreement.

“Joint Venture Agreement” has the meaning set forth in Section 3.2(1)(d)(v).

“Parties” means collectively, the Purchaser and the Vendor, and **“Party”** means either of them.

“Permits” means franchises, licenses, qualifications, authorizations, consents, certificates, registrations, exemptions, waivers, filings, grants, notifications, privileges, rights, orders, judgments, rulings, directives, permits and other approvals, obtained from or required by a Governmental Authority.

“Permitted Encumbrances” means easements, rights of way, zoning ordinances, and other similar land use and environmental regulations which are not, individually or in the aggregate, material in amount or effect.

“Person” is to be broadly interpreted and includes an individual, a corporation, a partnership, a joint venture, a trust, an association, a syndicate, an unincorporated organization, a Governmental Authority, an executor or administrator or other legal or personal representative, or any other juridical entity.

“Proceeding” means any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative; any other proceeding or any appeal or application for review, in each case, at law or in equity or before or by any Governmental Authority.

“Public Record” means the financial statements, management discussion and analysis, annual information forms, information circulars, material change reports, press releases and other continuous disclosure documents filed by the Purchaser or its representatives, on behalf of the Purchaser, with the TSXV and any applicable securities regulatory authority (including on SEDAR).

“**Purchase Price**” has the meaning set forth in Section 2.2.

“**Purchased Assets**” has the meaning set forth in Section 2.1.

“**Qualifying Transaction**” has the meaning ascribed thereto in the CPC Policy.

“**Required Expenditures**” has the meaning set forth in Section 3.2(1)(d)(v)(4).

“**Royalty Agreement**” means the royalty agreement dated July 12, 2019 between the Vendor (under its former name, MK2 Ventures Ltd.) and the Royalty Holder providing for a royalty equal to 2.0% of the Net Smelter Returns (as defined in the Royalty Agreement) in respect of one of the Bakar Claims (1064067 covering 1352.25 hectares).

“**Royalty Holder**” means Longford Capital Corp.

“**Transaction**” means the purchase and sale of the Acquired Interest and the Bakar Claims Data and all other transactions contemplated by this Agreement, which transactions shall constitute the Qualifying Transaction of the Purchaser.

“**TSX**” means the TSX Venture Exchange.

“**Vendor Filing Statement Disclosure**” has the meaning ascribed thereto in Section 2.4(2).

1.2 **Construction.** This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 **Certain Rules of Interpretation.** In this Agreement: (a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement; and (b) unless specified otherwise or the context otherwise requires, references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement.

1.4 **Performance on Business Days.** If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.5 **Canadian Dollars.** Unless otherwise specified, all references herein to dollar amounts are to lawful money of Canada.

1.6 **Schedule.** The Schedule hereto forms part of this Agreement.

ARTICLE 2 TRANSACTION

2.1 **Agreement to Purchase and Sell.** Subject to the terms and conditions of this Agreement, on the Closing Date, the Vendor shall sell, transfer, convey and assign to the Purchaser and the Purchaser shall purchase and acquire from the Vendor, free and clear of all Encumbrances other than Permitted Encumbrances and the Royalty Agreement (which latter document will be assumed on Closing, as to an

80% undivided interest, by the Purchaser), the following: (a) the Acquired Interest; and (b) the Bakar Claims Data (collectively, the “**Purchased Assets**”). Notwithstanding that the Purchaser shall acquire only the Acquired Interest on Closing, registered or recorded title to a 100% undivided interest in and to the Bakar Claims shall be transferred to the Purchaser on Closing, to hold in trust the interests of the Purchaser in the Bakar Claims, from time to time as they may appear.

2.2 **Purchase Price.** Subject to the terms and conditions of this Agreement, in consideration for the Purchased Assets, on the Closing Date, as the purchase price (the “**Purchase Price**”):

- (a) the Purchaser will pay the Vendor the sum of \$50,000 in cash; and
- (b) the Purchaser will issue a total of 1,000,000 common shares in its capital to the Vendor (the “**Consideration Shares**”) which will be subject to a statutory hold period, as more particularly set forth in Section 5.4.

2.3 **Excluded Liabilities.** Save and except for:

- (a) an assumption on Closing of 80% of the obligations of the Vendor set forth in the Royalty Agreement; and
- (b) the payment by the Purchaser on Closing or within a reasonable time thereafter, as agreed upon by the Purchaser (and if the Purchaser does not agree to pay any of such amounts, then the Purchaser shall be under no obligation therefor) of 100% of amounts owing to third party service providers which amounts were incurred or accrued by the Vendor prior to Closing for exploration and related expenditures respecting the Bakar Claims;

the Purchaser will not assume, pay, perform or discharge any liabilities or obligations of the Vendor, all of which will remain the sole responsibility of the Vendor.

2.4 **Filing Statement.** Promptly after the execution of this Agreement, the Purchaser shall prepare and complete the Filing Statement, together with any other documents required by the BCBCA, applicable securities Laws, any other Applicable Laws and the rules and policies of the TSXV in connection with the Transaction, and the Purchaser shall, as promptly as reasonably practicable after obtaining the acceptance of the TSXV, cause the Filing Statement to be filed on SEDAR.

- (2) The Purchaser represents, warrants and covenants that the Filing Statement will comply in all material respects with all Applicable Laws (including applicable securities laws and the rules and policies of the TSXV), and, without limiting the generality of the foregoing, that the Filing Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (provided that the Purchaser shall not be responsible for the information relating to the Vendor that is furnished in writing by the Vendor for inclusion in the Filing Statement (the “**Vendor Filing Statement Disclosure**”)).
- (3) The Vendor represents and warrants that any Vendor Filing Statement Disclosure will comply in all material respects with all Applicable Laws (including applicable securities Laws and the rules and policies of the TSXV), and, without limiting the generality of the foregoing, that the Vendor Filing Statement Disclosure will not contain any untrue statement of a material fact or omit to

state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

- (4) The Purchaser, the Vendor and their respective legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Filing Statement, including the Vendor Filing Statement Disclosure, and other documents related thereto, and reasonable consideration shall be given to any comments made by the Purchaser, the Vendor and their respective legal counsel, provided that all information relating solely to the Purchaser included in the Filing Statement shall be in form and content satisfactory to the Purchaser, acting reasonably, and all information relating solely to the Vendor included in the Filing Statement shall be in form and content satisfactory to the Vendor, acting reasonably.
- (5) The Purchaser and the Vendor shall promptly notify each other if at any time before the date of filing of the Filing Statement, either party becomes aware that the Filing Statement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Filing Statement and the Parties shall cooperate in the preparation of any amendment or supplement to the Filing Statement, as the case may be, as required or appropriate.
- (6) Each of the Purchaser and the Vendor covenants and agrees with the other that each will immediately notify the other party of any legal or governmental action, suit, judgment, investigation, injunction, complaint, action, suit, motion, judgement, regulatory investigation, regulatory proceeding or similar proceeding by any Person, Governmental Authority or other regulatory body, whether actual or threatened, with respect to the Transaction or which could otherwise delay or impede the transactions contemplated hereby.

2.5 **Advance of Expenditures.** Subject to the receipt of the approval of the TSXV, between the signing of this Agreement and the Closing, the Purchaser shall advance to the Vendor as part of the Required Expenditures from time to time and on an “as needed basis” the maximum sum of \$40,000 (the “**Advance Amount**”). The Vendor shall only use the Advance Amount for exploration and related expenditures respecting the Bakar Claims, which expenditures must all be pre-approved in writing by the Purchaser. On Closing, if there shall be any sums advanced to the Vendor by the Purchaser as and by way of the Advance Amount that have not been utilized for exploration and related expenditures respecting the Bakar Claims, they shall immediately be repaid by the Vendor to the Purchaser without interest, delay or default. If this Agreement is terminated for any reason whatsoever and Closing does not occur, any and all monies advanced by the Purchaser to the Vendor as and by way of the Advance Amount shall be a debt that is immediately due and owing by the Vendor to the Purchaser and shall be repaid immediately by the Vendor to the Purchaser without interest, delay or default. The provisions of Section 6.3(i) shall not be applicable at all to the repayment of the Advance Amount and a claim therefor shall neither be subject to the \$200,000 bucket nor be applied against the \$200,000 bucket.

ARTICLE 3 CLOSING AND CONDITIONS OF CLOSING

3.1 **Closing.** Closing shall take place at the offices of Cassels Brock & Blackwell LLP in Vancouver, British Columbia or at such other place as agreed to by the Purchaser and the Vendor.

3.2 Conditions for the Benefit of the Purchaser

- (1) The Purchaser shall be obliged to complete the Transaction only if each of the following conditions precedent have been satisfied in full on or before the Closing Date:
 - (a) all of the representations and warranties of the Vendor made in this Agreement shall be true and correct as of the Closing Date with the same effect as if made on and as of the Closing Date (except as those representations and warranties may be affected by events or transactions expressly permitted by or resulting from the entering into of this Agreement);
 - (b) the Vendor shall have complied with or performed all of the obligations, covenants and agreements to be complied with or performed by the Vendor on or before the Closing Date, to the satisfaction of the Purchaser, acting reasonably;
 - (c) the Purchaser shall have received final acceptance of the TSXV to the Transaction and approval for listing of the Consideration Shares by the TSXV, together with all other regulatory and third party consents and approvals;
 - (d) the Vendor shall have caused to be delivered to the Purchaser the following:
 - (i) a certificate signed by a senior officer of the Vendor certifying the Constatng Documents of the Vendor, and certifying the resolutions of the board of directors of the Vendor authorizing the transfer of title of the Purchased Assets, and the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Vendor;
 - (ii) all assurances, transfers or assignments required for the transfer of title of the Purchased Assets;
 - (iii) the Bakar Claims Data in such format(s) as the Purchaser requests, acting reasonably;
 - (iv) a certificate signed by a senior officer of the Vendor to the effect of Sections 3.2(1)(a) and (b), dated as of the Closing Date;
 - (v) a form of joint venture agreement (the “**Joint Venture Agreement**”), as shall be mutually acceptable to the Vendor and the Purchaser with respect to their joint ownership of the Bakar Claims, which will include, among other things, the following:
 1. the Purchaser will be the operator of the Bakar Claims and will administer the Royalty Agreement responsibilities and rights;
 2. the Vendor will not have rights to representation on a management committee and will not have the right to veto a sale of the entirety of the Bakar Claims by the Purchaser;
 3. on signing, the deemed value of the interests of the Vendor and the Purchaser shall be \$32,500 and \$130,000, respectively (calculated based on the Purchaser paying \$130,000 for 80% of the Bakar Claims – \$50,000 cash plus 1,000,000 x deemed value

of \$0.08);

4. subject to the occurrence of an event of force majeure, the Purchaser shall be obligated to solely fund expenditures on the Bakar Claims in the amount of \$200,000 (the "**Required Expenditures**") over a period of six months (the "**Sole Funding Period**") and the Vendor shall not be required to contribute its *pro rata* share of expenditures on the Bakar Claims (it being understood and agreed that the sole remedy of the Vendor for the Purchaser's failure to meet this milestone is a commensurate deferral of the date upon which the proportionate funding obligations of the Vendor shall commence and the Sole Funding Period shall terminate);
 5. after the termination of the Sole Funding Period, the Vendor must contribute to expenditures and programs and budgets approved by the Purchaser or the Vendor will be subject to straight line dilution;
 6. if the Vendor's interest shall fall to 10% or below in the Bakar Claims, the Vendor's interest will revert to a 0.5% net smelter returns royalty (capped at the then current value of the Purchaser's expenditures including the deemed value of the interests as set forth under item no. 3 above);
 7. the Vendor and the Purchaser shall be severally liable for their respective proportionate shares of the royalty payments under the Royalty Agreement and the Purchaser, as operator, shall be entitled to make the royalty payments to the Royalty Holder for and on behalf of the Vendor and to deduct from distributions otherwise due and payable to the Vendor, its proportionate share of such royalty payments;
 8. the Purchaser shall have full right to sell, assign, transfer and encumber, directly or indirectly, in whole or in part, its interest in and to the Bakar Claims as well as its interest in the Joint Venture Agreement and its obligations under the Royalty Agreement free and clear of any and all rights of the Vendor (provided that the transferee agrees to become a party to the Joint Venture Agreement and the Royalty Agreement as its interests may appear); the Purchaser shall be the entity that determines whether or not the Joint Venture exercises the buy-back right under Section 17 of the Royalty Agreement (and, if so, the Vendor must contribute to the purchase price therefor);
 9. the Purchaser, as operator, shall have full marketing rights for product extracted or removed from the Bakar Claims; and
 10. the rights of the Vendor to sell, assign, transfer and encumber, directly or indirectly, in whole or in part, its interest in and to the Bakar Claims as well as its interest in the Joint Venture Agreement and its obligations under the Royalty Agreement shall be subject to a right of first refusal in favour of the Purchaser and, if the Purchaser does not exercise such right, consent rights in favour of the Purchaser;
- (vi) the Vendor shall execute and deliver together with the Purchaser, in form and content satisfactory to both Parties, an assignment and assumption of the Royalty Agreement,

pursuant to which, the Parties set forth their respective proportionate obligations as the same relate to the royalty payments thereunder; and

- (vii) such other documentation as the Purchaser reasonably requests in order to complete the Transaction;
 - (e) there shall be no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against either Party, for the purpose of enjoining or preventing, the completion of the Transaction or otherwise claiming that this Agreement or the completion of the Transaction is improper or would give rise to a Proceeding, under any Applicable Law;
 - (f) since the date of this Agreement, there shall not have occurred any event which may have a material adverse effect on the Bakar Claims, the legal status of the Bakar Claims or the Vendor's ability to complete the Transaction; and
 - (g) the Concurrent Private Placement shall have been completed, provided that this may occur immediately prior to, or concurrently with, the completion of the Transaction.
- (2) Each of the conditions set out in Section 3.2(1) is for the exclusive benefit of the Purchaser and the Purchaser may waive compliance with any such condition in whole or in part by notice in writing to the Vendor, except that no such waiver operates as a waiver of any other condition.

3.3 Conditions for the Benefit of the Vendor

- (1) The Vendor shall be obliged to complete the Transaction only if each of the following conditions precedent have been satisfied in full on or before the Closing Date:
- (a) all of the representations and warranties of the Purchaser made in this Agreement shall be true and correct as of the Closing Date with the same effect as if made on and as of the Closing Date (except as those representations and warranties may be affected by events or transactions expressly permitted by or resulting from the entering into of this Agreement);
 - (b) the Purchaser shall have complied with or performed all of the obligations, covenants and agreements under this Agreement to be complied with or performed by the Purchaser on or before the Closing Date to the satisfaction of the Vendor, acting reasonably;
 - (c) the Purchaser shall have received final acceptance of the TSXV to the Transaction and approval for listing of the Consideration Shares by the TSXV, together with all other regulatory and third party consents and approvals;
 - (d) the Purchaser shall have caused to be delivered to the Vendor the following:
 - (i) a certificate signed by a senior officer of the Purchaser certifying the Constating Documents of the Purchaser, and certifying the resolutions of the board of directors of the Purchaser authorizing the issuance and delivery of the Consideration Shares, and the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Purchaser;

- (ii) evidence of issuance and delivery of the Consideration Shares in accordance with Section 2.2 and the registration and delivery instructions provided by the Vendor;
 - (iii) a certificate signed by a senior officer of the Purchaser to the effect of Sections 3.3(1)(a) and (b), dated as of the Closing Date;
 - (iv) conditional acceptance of the TSXV of the Transaction as the Purchaser's Qualifying Transaction; and
 - (v) such other documentation as the Vendor reasonably requests in order to complete the Transaction;
- (e) there shall be no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against either Party, for the purpose of enjoining or preventing, the completion of the Transaction or otherwise claiming that this Agreement or the completion of the Transaction is improper or would give rise to a Proceeding, under any Applicable Law;
 - (f) since the date of this Agreement, there shall not have occurred any event which may have a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property or results of operations of the Purchaser or the Purchaser's ability to complete the Transaction; and
 - (g) the Concurrent Private Placement shall have been completed, provided that this may occur immediately prior to, or concurrently with, the completion of the Transaction.
- (2) Each of the conditions set out in Section 3.3(1) is for the exclusive benefit of the Vendor and the Vendor may waive compliance with any such condition in whole or in part by notice in writing to the Purchaser, except that no such waiver operates as a waiver of any other condition.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 **Representations and Warranties of the Vendor.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on these representations and warranties in connection with its purchase of the Purchased Assets:

- (1) Organization and Corporate Power. The Vendor is duly incorporated and organized, and is validly subsisting, under the laws of the Province of British Columbia, and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. The Vendor has all the necessary corporate power and authority to own or lease or dispose of the Purchased Assets, to enter into this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (2) Authorization. All necessary corporate action has been taken by the Vendor to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (3) Enforceability. This Agreement has been duly executed and delivered by the Vendor and

(assuming due execution and delivery by the Purchaser) is a legal, valid and binding obligation of the Vendor enforceable against it in accordance with its terms, except that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. Each of the contracts, agreements and instruments required by this Agreement to be delivered by the Vendor will at the Closing have been duly executed and delivered by the Vendor and (assuming due execution and delivery by the Purchaser) will be enforceable against it in accordance with its terms, except that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (4) Bankruptcy. The Vendor is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Vendor has not initiated Proceedings with respect to a compromise or arrangement with its creditors or for its winding-up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of the Vendor or any of its undertakings, property or assets (including any of the Purchased Assets) and no execution or distress has been levied on any of its undertakings, property or assets (including any of the Purchased Assets), nor have any Proceedings been commenced in connection with any of the foregoing.
- (5) Absence of Conflict. The execution, delivery and performance of this Agreement by the Vendor and the completion of the Transaction will not (whether after the passage of time or notice or both) result in:
- (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, amendment or renegotiation of any contract to which it is a party or by which any of its undertakings, property or assets (including the Purchased Assets) is bound or affected;
 - (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of its obligations under:
 - (i) any provision of its Constatng Documents or resolutions of the board of directors (or any committee thereof) or shareholders of the Vendor;
 - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over the Vendor;
 - (iii) any approval issued to, held by or for the benefit of, it or necessary to the ownership of the Purchased Assets;
 - (iv) any Applicable Law; or
 - (v) any deed, contract or instrument, including without limitation, the Royalty Agreement; or
 - (c) the creation or imposition of any Encumbrance over any of the Purchased Assets.

(6) Interest in Mineral Rights.

- (a) The Vendor is the sole beneficial owner of all right, title and interest in and to the Bakar Claims, free and clear of any Encumbrance, save and except for the Royalty Agreement, and the Vendor has the exclusive right to deal with the Bakar Claims.
- (b) All of the Bakar Claims have been properly located and recorded in compliance with Applicable Law and are valid and subsisting mineral claims.
- (c) The Bakar Claims are in good standing under Applicable Law and all work required to be performed and filed in respect thereof has been performed and filed, all taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made.
- (d) There is no material adverse claim against, or challenge to, the title to or ownership of the Bakar Claims.
- (e) No Person other than the Vendor has any interest in the Bakar Claims or, save and except for the Royalty Agreement, the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest.
- (f) There are no options, back-in rights, earn-in rights, rights of first refusal or similar provisions or rights which would affect the Vendor's interest in the Bakar Claims.
- (g) There are no material restrictions on the ability of the Vendor to use, transfer or exploit the Bakar Claims, except pursuant to the Applicable Law.
- (h) The Vendor has not received any notice, whether written or oral, from any Governmental Authority of any revocation or intention to revoke any interest of the Vendor in any of the Bakar Claims.

(7) Regulatory and Third Party Approvals.

- (a) Except for the formal acceptance by the TSXV required in connection with the Transaction, there are no third party consents required to be obtained in order for the Vendor to complete the Transaction.
- (b) There is no requirement to make any filing with, give any notice to or obtain any Permit as a condition to the lawful completion of the Transaction contemplated by this Agreement, other than: (i) the acceptance of the Transaction as the Purchaser's Qualifying Transaction by the TSXV; and (ii) any other consents, notices, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a material adverse effect on the Vendor or prevent or materially impair the Vendor's ability to perform its obligations hereunder.
- (c) There is no requirement under any contract or Permit relating to the Purchased Assets or the Vendor to which the Vendor is a party or by which the Purchased Assets or the Vendor is bound or affected for any approvals from any party to that contract or Permit relating to the completion of the Transaction.

(8) Environmental.

- (a) All activities conducted in respect of the Bakar Claims have been and are in compliance with all Environmental Laws.
- (b) The Vendor has never received any notice of, nor been prosecuted for an offence alleging non-compliance with, any Environmental Laws, and the Vendor has not settled any allegation of non-compliance.
- (c) There are no orders or directions issued or pending under Environmental Laws relating to the Bakar Claims, nor has the Vendor received notice of any such orders or directions.
- (d) The Vendor has not caused or permitted the release, migration or discharge, in any manner whatsoever, of any Contaminant from the Bakar Claims.
- (e) The Vendor has not received any notice that it is potentially responsible for any clean-up or corrective action at the Bakar Claims.
- (f) True, accurate and complete copies of all documents, including any certificates or reports, issued, filed or registered on title or with any Governmental Authority, pursuant to Environmental Laws with respect to the Bakar Claims have been provided to the Purchaser.
- (g) True, accurate and complete copies of all environmental audits, site assessments, risk assessments, studies or tests relating to the Bakar Claims have been provided to the Purchaser.

(9) Royalty Agreement.

- (a) The Royalty Agreement is in full force and effect, unamended.
- (b) Neither the Vendor nor the Royalty Holder has sold, assigned, transferred or encumbered its respective interest in the Royalty Agreement.
- (c) The Royalty Agreement is in good standing in accordance with its terms and neither party thereto is in default thereof.

(10) Legal Actions. There is not pending or, to the knowledge of the Vendor, threatened or contemplated, any Proceeding against the Vendor, nor is there any present state of facts or circumstances which can be reasonably anticipated to be a basis for any such Proceeding nor is there presently outstanding against the Vendor, any judgment, decree, injunction, rule or order of any court, governmental department, commission or agency.

4.2 **Representations and Warranties of the Purchaser.** The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on these representations and warranties in connection with its sale of the Purchased Assets:

- (1) Organization and Corporate Power. The Purchaser is a corporation duly incorporated and organized, and is validly subsisting, under the laws of the Province of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction and is

in good standing under the laws of such jurisdiction. The Purchaser has all necessary corporate power and authority to acquire the Purchased Assets, to enter into this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.

- (2) Authorization. All necessary corporate action has been taken by the Purchaser to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (3) Enforceability. This Agreement has been duly executed and delivered by the Purchaser and (assuming due execution and delivery by the Vendor) is a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, except that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. Each of the contracts, agreements and instruments required by this Agreement to be delivered by the Purchaser will at the Closing have been duly executed and delivered by the Purchaser and (assuming due execution and delivery by the Vendor) will be enforceable against it in accordance with its terms, except that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (4) Bankruptcy. The Purchaser is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Purchaser has not initiated Proceedings with respect to a compromise or arrangement with its creditors or for its winding-up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any Proceedings been commenced in connection with any of the foregoing.
- (5) Absence of Conflict. The execution, delivery and performance of this Agreement by the Purchaser and the completion of the Transaction will not (whether after the passage of time or notice or both) result in:
 - (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, amendment or renegotiation of any contract to which it is a party or by which any of its undertakings, property or assets is bound or affected;
 - (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of its obligations under:
 - (i) any provision of its Constatng Documents or resolutions of the board of directors (or any committee thereof) or shareholders of the Purchaser;
 - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over the Purchaser; or

(iii) any Applicable Law.

- (6) Reporting Issuer. The Purchaser is a reporting issuer under the securities laws of the Provinces of British Columbia, Alberta and Ontario and is not in default of any requirements of such securities laws and is not included on a list of defaulting reporting issuers maintained by the securities regulatory authorities of such provinces, as applicable.
- (7) Statements in Public Record. Except with respect to any statement in the Public Record which has subsequently been restated or amended by another statement set forth in the Public Record, all the statements set forth in the Public Record were true and correct, in all material respects, and did not contain any misrepresentation (as such term is defined in the *Securities Act* (British Columbia)) as of the date of such statements, and the Purchaser has not filed any confidential material change reports under the laws of Canada since the date of such statements which remain confidential as at the date hereof. Other than as disclosed in the Public Record, no material fact or material change has arisen or has been discovered which would have been required to have been stated in the Public Record had the fact arisen or been discovered on, or prior to, the date of such Public Record.
- (8) Legal Actions. There is not pending or, to the knowledge of the Purchaser, threatened or contemplated, any Proceeding against the Purchaser, nor is there any present state of facts or circumstances which can be reasonably anticipated to be a basis for any such Proceeding nor is there presently outstanding against the Purchaser, any judgment, decree, injunction, rule or order of any court, governmental department, commission or agency.
- (9) No Cease Trade Order. There is no order, ruling or decision by a court or regulatory or administrative authority that has the effect of prohibiting or restricting the distribution of the Consideration Shares as contemplated hereunder.
- (10) Securities Matters. At the date of issuance of the Consideration Shares, such Consideration Shares shall be validly issued as fully paid and non-assessable common shares in the capital of the Purchaser and the issuance of the Consideration Shares will be exempt from the prospectus and registration requirements of applicable securities laws.

4.3 **Survival of Representations, Warranties and Covenants.**

- (1) The representations, warranties and covenants contained in this Agreement and in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement shall survive Closing and continue for a period of two years.
- (2) Notwithstanding Section 4.3(1), a claim for any breach of any of the representations, warranties or covenants contained in this Agreement or in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement involving fraud, fraudulent misrepresentation or intentional misrepresentation may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Applicable Law.

4.4 **Termination of Liability**. On the expiry of the relevant time limits referred to in Section 4.3, no party shall have any liability or obligations to the other Party in respect of any inaccuracy in or breach of any representation, warranty or covenant contained in this Agreement, except for (and only to the

extent of) any Proceeding which has been made by the other Party and communicated to the Party making that representation, warranty or covenant prior to the expiry of those time limits, and in that event, only on the terms and conditions of and to the extent provided for in Article 6.

ARTICLE 5 COVENANTS

5.1 **Exclusive Dealings.** During the Interim Period, the Vendor will not enter into or continue negotiations or discussions with any third party in respect of a sale of the Purchased Assets or any part of the Purchased Assets. In addition, the Vendor agrees that, until the Closing Date or termination of this Agreement, access will not be given to any information relating to the Purchased Assets for the purpose of enabling any third party to make a determination as to whether to enter into a transaction with the Vendor for the Purchased Assets.

5.2 **Investigation.** During the Interim Period, the Vendor shall, and shall cause its representatives to, permit the Purchaser and its authorized representatives to make any reasonable investigations of the Bakar Claims and any other matters related to the Transaction that the Purchaser deems advisable, including a site visit. During the Interim Period, the Vendor will provide the Purchaser and its representatives with reasonable access to, and will make available to it for inspection and review, all books of account, leases, agreements and any other documents of or related to the Bakar Claims and the Transaction. The Vendor will make its own representatives and advisors available for consultation at reasonable times and on reasonable notice. This information will be treated as confidential information.

5.3 **Notification of Certain Matters.**

- (1) During the Interim Period, the Vendor shall give prompt notice in writing to the Purchaser of:
 - (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Vendor contained in this Agreement to be untrue or inaccurate during the Interim Period;
 - (b) any Proceeding commenced or threatened against the Vendor or relating to or involving or otherwise affecting the Vendor, or which relates to the consummation of the Transaction; and
 - (c) any failure by the Vendor to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.

5.4 **Securities Law Matters.** The Vendor hereby acknowledges that the Purchaser's ability to issue the Consideration Shares pursuant to this Agreement is subject to the applicable securities laws and the rules and policies of the TSXV, and the Consideration Shares issued to the Vendor will be subject to resale restrictions imposed by applicable securities laws and the rules and policies of the TSXV, which rules and policies require that a restrictive legend be placed on the share certificate(s) delivered to the Vendor under this Agreement, and the Vendor covenants and agrees with the Purchaser to abide by all resale restrictions.

**ARTICLE 6
INDEMNIFICATION**

6.1 Indemnification by the Vendor.

- (1) Subject to Section 6.3, the Vendor shall indemnify and save harmless the Purchaser the amount of any and all Losses as a result of or arising in connection with:
 - (a) any inaccuracy of or any breach of any representation or warranty made by the Vendor in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement;
 - (b) any breach or non-performance by the Vendor of any covenant or other obligation contained in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement; and
 - (c) any claim to which the Vendor is a party at any time on or prior to the Closing Date, or to which it becomes a party after the Closing Date arising from the facts or circumstances that existed at any time on or prior to the Closing Date.

6.2 Indemnification by the Purchaser.

- (1) Subject to Section 6.3, the Purchaser shall indemnify and save harmless the Vendor the amount of any and all Losses as a result of or arising in connection with:
 - (a) any inaccuracy of or any breach of any representation or warranty made by the Purchaser in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement; and
 - (b) any breach or non-performance by the Purchaser of any covenant or other obligation contained in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement.

6.3 Limitations.

- (1) The maximum aggregate liability of the Vendor for Losses pursuant to Section 6.1 is not to exceed \$200,000;
- (2) The maximum aggregate liability of the Purchaser for Losses pursuant to Section 6.2 is not to exceed \$200,000;
- (3) The provisions of Sections 6.3(1) and 6.3(2) do not apply in respect of any inaccuracy or breach of a representation or warranty involving fraud, fraudulent misrepresentation or intentional misrepresentation and are qualified by Section 2.5; and
- (4) For greater certainty, the provision of Section 6.3(2) shall not apply to any obligations of the Purchaser or its successors or assignees under the Royalty Agreement.

6.4 Knowledge. The right of a Party to indemnification, payment, reimbursement or other remedy

based upon any representation, warranty, covenant or obligation contained in this Agreement will not be affected by any investigation conducted by or on behalf of such Party or any knowledge acquired by such Party at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of, or compliance with, such representation, warranty, covenant or obligation.

6.5 **Definition of "Losses"**. For the purposes of Article 6, "Losses" means, with respect to any matter, all losses, damages, claims, obligations, penalties, judgements, settlement payments, awards, fines, liabilities, deficiencies, costs and expenses (including, without limitation, all legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) arising as a consequence of such matter, but excluding, in each case, all consequential, indirect, punitive, special or similar losses or damages.

6.6 **Waiver**. The indemnitor waives any right it may have to require an indemnitee to proceed against or enforce any other right, power, remedy or security or to claim payment from any other Person before claiming under the indemnity provided for in this Article 6. It is not necessary for an indemnitee to incur expense or make payment before enforcing that indemnity.

ARTICLE 7 TERMINATION

7.1 **Termination Events**. This Agreement shall be terminated on the day on which the earliest of the following events occurs: (a) mutual written consent of the Parties; (b) any applicable regulatory or Governmental Authority having notified in writing either the Purchaser or the Vendor of its determination to not permit the Transaction to proceed, in whole or in part, and the Parties have used commercially reasonable efforts to appeal or reverse such determination, or modify the Transaction on a basis that is not prejudicial to either Party in order to address such determination; or (c) written notice from one Party to the other Party if the Closing Date has not occurred on or before September 24, 2020.

7.2 **Effect of Termination**. Each Party's right of termination under Section 7.1 is in addition to any other rights it may have under this Agreement or otherwise, whether at law, in equity or otherwise, and the exercise of that right of termination is not an election of remedies. If this Agreement is terminated pursuant to Section 7.1, all obligations of the Parties under this Agreement will terminate, other than in respect of the expense provisions contained in Section 8.1.

ARTICLE 8 GENERAL

8.1 **Expenses**. Other than as set out in this Agreement, each Party shall pay all expenses (including taxes imposed on those expenses) it incurs in the authorization, negotiation, preparation, execution and performance of this Agreement and the Transaction, including all fees and expenses of its representatives.

8.2 **Entire Agreement**. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. Except as specifically set out in this Agreement, there are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or which induced a Party to enter into this Agreement. There is no liability, either in tort or in contract, assessed in relation to the representation,

warranty, opinion, advice or assertion of fact, except as contemplated in this Section 8.2.

8.3 **Time of Essence.** Time is of the essence of this Agreement.

8.4 **Amendment.** This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party.

8.5 **Waiver of Rights.** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of a Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

8.6 **Governing Law.** This Agreement and any dispute arising from or in relation to this Agreement are governed by, and interpreted and enforced in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

8.7 **Notices.**

- (1) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by email or similar means of recorded electronic communication or sent by registered mail, charges prepaid, address as follows:

in the case of a notice to the Purchaser:

SHERPA II HOLDINGS CORP.
918 – 1030 West Georgia Street
Vancouver, BC V6E 2Y3

Attention: Thomas O’Neill
Email: [Redacted]

with a copy (which does not constitute notice) to:

Cassels Brock & Blackwell LLP
2200 – 885 West Georgia Street
Vancouver, BC V6C 3E8

Attention: Jennifer Traub
Email: [Redacted]

and in the case of a notice to the Vendor:

District Metals Corp.
918 – 1030 West Georgia Street
Vancouver, BC V6E 2Y3

Attention: Garrett Ainsworth
Email: [Redacted]

(2) Any notice sent in accordance with this Section 8.7 is deemed to have been received:

- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
- (b) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of that disruption; or
- (c) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, is deemed to have been received on the next succeeding Business Day in the place where the notice is received.

(3) Either Party may change its address for notice by giving notice to the other Party.

8.8 **Assignment.** Neither Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person.

8.9 **Further Assurances.** Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that the other Party may reasonably require, for the purposes of giving effect to this Agreement.

8.10 **Severability.** If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, that provision will, as to that jurisdiction, be ineffective only to the extent of that restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement, without affecting the validity or enforceability of that provision in any other jurisdiction and, if applicable, without affecting its application to the other Party or circumstances. The Parties shall engage in good faith negotiations to replace any provision which is so restricted, prohibited or unenforceable with an unrestricted and enforceable provision, the economic effect of which comes as close as possible to that of the restricted, prohibited or unenforceable provision which it replaces.

8.11 **Successors.** This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors and permitted assigns.

8.12 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including without limitation in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

SHERPA II HOLDINGS CORP.

By: (signed) "Thomas O'Neill"
Name: Thomas O'Neill
Title: CEO and Director

DISTRICT METALS CORP.

By: (signed) "Garrett Ainsworth"
Name: Garrett Ainsworth
Title: CEO, President and Director

SCHEDULE "A"

DESCRIPTION OF BAKAR CLAIMS AND CLAIMS MAP

Tenure Number	Tenure Name	Claim Expiry	Hectares	Location
1064067	Bakar	2029-10-26	1352.25	British Columbia
1065210	Tessa	2021-12-20	2050.27	British Columbia
1065211	Koda	2021-12-20	2050.76	British Columbia
1065212	Chantel	2022-12-20	2048.45	British Columbia
1065213	Tiny	2022-12-20	2047.43	British Columbia
1065214	Bandit	2022-12-20	2046.67	British Columbia
1065215	Marlee	2021-12-20	2045.92	British Columbia
1065216	Avery	2021-12-20	2045.13	British Columbia

