

SHERPA II HOLDINGS CORP.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

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 25, 2021 and should be read together with the audited financial statements and related notes for the year ended June 30, 2021, 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. On November 1, 2019, 159,525 stock options were cancelled in connection with the resignation of a director of the Company.

On December 15, 2020 the Company completed its Qualifying Transaction, acquiring 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 from District Metals Corp. (“District”). As consideration for the Bakar Claims, the Company issued total consideration of:

- \$50,000 cash payment
- 1,000,000 common shares of the Company
- \$200,000 in work expenditures within six months of closing (the “Required Expenditures”)
- Carry over of the 2.0% net smelter royalty (“NSR”) from the royalty agreement dated July 12, 2019 between District 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.

In connection with the Transaction, the Company entered into an unincorporated joint venture with District with respect to their respective joint ownership of the Bakar Claims. Sherpa II will serve as the Operator of the joint venture.

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Costs incurred with respect to the property are summarized below:

Acquisition Costs	Bakar Property	
Balance, June 30, 2020	\$	-
Additions		130,000
Balance, June 30, 2021	\$	130,000
Deferred Exploration Costs		
Balance, June 30, 2020	\$	-
Additions		181,942
Balance, March 31, 2021	\$	181,942
Total		
Balance, June 30, 2020	\$	-
Balance, June 30, 2021	\$	311,942

As at June 30, 2021, the Company had paid the \$50,000 cash purchase price and issued 1,000,000 common shares with a fair value of \$80,000. The Company had incurred \$136,810 of the \$200,000 Required Expenditures.

On December 18, 2020, the Company completed a private placement for gross proceeds of \$300,000. The Company issued 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, 2021, 2020 and 2019, 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, 2021 and 2020.

	Year ended		
	June 30, 2021	June 30, 2020	June 30, 2019
Total revenue	\$ -	\$ -	\$ -
Net loss	208,139	75,386	114,449
Basic and diluted loss per common share:	0.02	0.02	0.04
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	As at		
	June 30, 2021	June 30, 2020	June 30, 2019
Cash	\$ 180,892	\$ 332,619	\$ 389,625
Total assets	504,962	337,661	393,092
Current and total liabilities	33,063	23,955	4,000
Shareholders’ equity	471,899	313,706	389,092

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, 2021, the Company reported a net loss of \$208,139, an increase in loss of \$132,753 as compared to the net loss of \$75,386 for the year ended June 30, 2020. The increase in loss was driven by an increase in professional fees of \$106,420 due to greater service levels; stock-based compensation of \$26,332, as there were no option grants during the previous year; and transfer agent and filing fees of \$18,039 as a result of higher transfer agent and filing fees being incurred in the current year in connection to the issuance of additional shares. These increases were partially offset by the reversal of flow through premiums of \$27,362, in the current year.

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Summary of Quarterly Results

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

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net Loss for the Period	\$ 6,593	\$ (41,692)	\$ (117,834)	\$ (55,206)	\$ (31,001)	\$ (11,680)	\$ (25,394)	\$ (7,311)
Loss per Share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

The increased loss in Q2, 2021 is a result of the completion of the Qualifying Transaction, which occurred on December 18, 2020. The Company incurred increased professional fees and transfer agent and filing fees in connection with completing the transaction.

The net income position in Q4, 2021 is a result of the flow-through recovery as the Company began incurring eligible expenditures on its Bakar property. The flow-through reversal for the fourth quarter was \$26,664, which resulted in the net income for the period.

Liquidity and Capital Resources

The Company reported working capital of \$159,957 at June 30, 2021 (June 30, 2020 - \$313,706) and cash of \$180,892 (June 30, 2020 - \$332,619).

As of June 30, 2020, the Company had current liabilities of \$33,063.

On December 15, 2020, the Company completed a private placement for aggregate gross proceeds of \$300,000, which consisted of 1,250,000 common shares at \$0.08 per share, for aggregate gross proceeds of \$100,000 and 2,000,000 flow-through common shares at \$0.10 per share, for aggregate gross proceeds of \$200,000.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. The consolidated financial statements for the year ended June 30, 2021, do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2021, the Company sold 250,000 common shares and 550,000 flow-through shares to officer and directors of the Company, as part of the private placement completed on December 15, 2020.

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

Fourth Quarter

For the three months ended June 30, 2021, the Company earned a net profit of \$6,593 compared to a net loss of \$31,001 for the same period of 2020, a decrease in loss of \$37,594. The decrease in loss was driven by a decrease in professional fees of \$12,103, as the Company was incurring professional fees at that time in connection with the planned transaction with District. The Q4, 2021 net profit is also driven by the reversal of the flow-through premium of \$26,664, which did not occur in the comparative quarter.

Proposed Transactions

None.

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Critical Accounting Estimates

Not applicable for Venture Issuers.

New accounting standard and interpretation

During the year ended June 30, 2021 the Company adopted the following new accounting policy:

Flow-through shares

The value of the flow-through shares is bifurcated into a share component corresponding to the price of a non-flow-through share, and a liability component representing the premium paid. As eligible expenditures are incurred, the deferred premium liability is reversed into profit or loss on a pro-rata basis.

Financial Instruments

Categories of financial instruments and fair value measurements

The Company's financial assets and liabilities are classified as follows:

	June 30, 2021	June 30, 2020
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 180,892	\$ 332,619
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 2,520	\$ 941

The fair values of the Company's cash and accounts payable approximate their carrying amounts due to the short-term nature of these instruments.

Management of financial risks

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

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. At June 30, 2021, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution in Canada and as at June 30, 2021, management considers its exposure to credit risk to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At June 30, 2021, the Company had cash of \$180,892 (June 30, 2020 - \$332,619) and accounts payable and accrued liabilities of \$20,425 (June 30, 2020 - \$23,955) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at June 30, 2021 as management will need additional financing to continue its operations and fund its exploration program.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk at June 30, 2021.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at June 30, 2021, the Company is not exposed to foreign currency risk, as it does not have cash or payables denominated in a foreign currency.

Risks and Uncertainties

The Company's business is mineral property acquisition, exploration and development business and as a result it may be exposed to a number of operational, financial, regulatory and other risks and uncertainties that are typical in the natural resource industry and common to other companies in the exploration and development stage. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial could adversely impact the Company's business, results of operations, and financial performance in future periods. Refer to the Company's Filing Statement dated December 15, 2020 for a list of risk factors impacting the Company.

Other Requirements

Summary of Outstanding Securities as at October 25, 2021

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 10,631,000 common shares (including 2,275,000 common shares held in escrow).

Stock options: 638,100 @ \$0.10 per share until September 20, 2023 and 425,000 options @ \$0.11 per share until February 23, 2024.

Warrants: None.

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.