

SHERPA II HOLDINGS CORP.

MANAGEMENT DISCUSSION & ANALYSIS

For the Three Months Ended September 30, 2023

This Management Discussion and Analysis (“MD&A”) is management’s interpretation of the financial condition and results of operations of Sherpa II Holdings Corp. (“Sherpa II” or the “Company”) for the three months ended September 30, 2023. This MD&A should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2023 and the condensed interim financial statements for the three months ended September 30, 2023, prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This MD&A supplements, but does not form part of, the Company’s financial statements. 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 has been prepared as of November 28, 2023.

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 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 operation with District with respect to their respective joint ownership of the Bakar Claims. During the year ended June 30, 2022, the Company incurred the Required Expenditures pursuant to the Bakar Purchase Agreement, and therefore, pursuant to the Joint Operation, all additional expenditures are to be split on the basis of the relative ownership in the Bakar claims.

On November 10, 2022, the Company ratified an Exploration Management Agreement (the “Agreement”) between the Company and District effective August 31, 2021, whereby District will conduct the exploration at the Bakar property. Pursuant to the Agreement, District will charge the Company a management fee of 10%, based off eligible flow-through expenditures incurred at the Bakar property. During the three months ended September 30, 2023, the Company incurred a management fee of \$1,436 pursuant to the Agreement, which contributed to increasing District’s ownership in the Bakar property.

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Effective January 1, 2023, the Company amended the joint operation agreement whereby District would fund 100% of the next phase of expenditures to a maximum of \$330,000 to earn back pro-rata ownership in the property, along with application of the 10% management fee of \$33,000, to a maximum of 54% (the "Amended Agreement". From the date of the Amended Agreement, the Company has incurred \$20,871 of expenditures to be funded by District, of which \$14,018 was in accounts receivable as of September 30, 2023.

Costs incurred with respect to the property are summarized below:

	Bakar Property	
Acquisition Costs		
Balance, June 30, 2022	\$	130,000
Additions		-
Balance, June 30, 2023		130,000
Additions		-
Balance, September, 2023	\$	130,000
Deferred Exploration Costs		
Balance, June 30, 2022	\$	236,042
Additions		466,520
Charged back to District		(89,862)
Balance, June 30, 2023		612,700
Additions		15,799
Charged back from District Metals Corp.		(15,799)
Balance, September 30, 2023		612,700
Total		
Balance, June 30, 2023	\$	742,700
Balance, September 30, 2023	\$	742,700

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.

On November 26, 2021, the Company completed a private placement for aggregate gross proceeds of \$470,000, which consisted of 1,500,000 units at \$0.08 per unit, for gross proceeds of \$120,000 and 3,500,000 flow-through units at \$0.10 per flow-through unit, for gross proceeds of \$350,000. Each unit consists of one common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.12 for a period of 24 months. Each flow-through unit consists of one flow-through common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.15 for a period of 24 months. No value was ascribed to the common share purchase warrants.

On December 8, 2021, the Company granted 499,600 stock options exercisable at \$0.15 for a period of 5 years.

On July 27, 2023, the Company completed a private placement for gross proceeds of \$125,000 through the issuance of 3,125,000 units at \$0.04 per unit. Each unit consists of one common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.05 for a period of 5 years. No value was ascribed to the common share purchase warrants using the residual value method.

Results of Operations

Three months ended September 30, 2023:

For the three months ended September 30, 2023, the Company reported net loss of \$41,302 (2022: \$16,578) comprised of general and administrative fees of \$12,753 (2022: \$12,077), transfer agent and filing fees of \$3,011 (2022: \$1,519), professional fees of \$100 (2022: \$1,037), consulting fees of \$4,500 (2022: \$4,500), the reversal of the flow-through share premium liability of \$Nil (2022: \$2,555), and stock-based compensation of \$20,938 (2022: \$Nil). Expenditures fluctuated nominally compared to the comparative quarter, with fluctuations incurring under the normal course of operations. The stock-based compensation expense was a result of an option grant in the current

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quarter. There was no reversal of the flow-through share premium liability this quarter, as the Company incurred all the required expenditures in the prior year.

Summary of Quarterly Results

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

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net income (loss) for the period	\$ (41,302)	\$ (41,518)	\$ (24,058)	\$ 39,096	\$ (16,578)	\$ (35,219)	\$ (39,743)	\$ (61,842)
Earnings (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

The increase in loss for Q2, 2022 is driven by stock-based compensation expense of \$38,200, as the Company had an option grant which vested immediately.

The net income for Q2, 2023 is driven by the flow-through recovery, as the Company incurred the majority of its flow-through expenditures in the quarter.

The increase in loss for Q1, 2024 is driven by increased stock-based compensation resulting from stock options being granted in the quarter.

Liquidity and Capital Resources

The Company reported working capital of \$65,552 at September 30, 2023 (June 30, 2023 – deficit of \$30,803) and cash of \$87,355 (June 30, 2023 - \$8,169).

As of September 30, 2023, the Company had current liabilities of \$41,906 (June 30, 2023 - \$47,413).

On November 26, 2021, the Company completed a private placement for aggregate gross proceeds of \$470,000, which consisted of 1,500,000 units at \$0.08 per unit, for gross proceeds of \$120,000 and 3,500,000 flow-through units at \$0.10 per flow-through unit, for gross proceeds of \$350,000. Each unit consists of one common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.12 for a period of 24 months. Each flow-through unit consists of one flow-through common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.15 for a period of twenty-four months. No value was ascribed to the common share purchase warrants using the residual value method.

On July 27, 2023, the Company completed a private placement for aggregate gross proceeds of \$125,000, which consisted of 3,125,000 non-flow through units at \$0.04 per unit. Each unit consists of one common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.05 for a period of 5 years. No value was ascribed to the common share purchase warrants using the residual value method.

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 condensed interim financial statements for the three months ended September 30, 2023, 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.

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Transactions with Related Parties

The Company's related parties consist of its key management personnel and close family members of its key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of the Chief Financial Officer.

During the three months ended September 30, 2023, the Company paid \$4,500 (2022 - \$4,500) for CFO consulting services by Carson Halliday, which were recorded as consulting fees.

All transactions are incurred in the normal course of business and are negotiated on terms between the parties which are believed to represent fair market value for all services rendered. Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

Proposed Transactions

None.

Critical Accounting Estimates

Not applicable for Venture Issuers.

New accounting standard and interpretation

None.

Financial Instruments

Categories of financial instruments and fair value measurements

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

	September 30, 2023	June 30, 2023
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 87,355	\$ 458,471
Receivables	\$ 14,942	\$ 8,736
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 14,031	\$ 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 September 30, 2023, 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 September 30, 2023, management considers its exposure to credit risk to be low.

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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 September 30, 2023, the Company had cash of \$87,355 (June 30, 2023 - \$8,169) and accounts payable and accrued liabilities of \$41,906 (June 30, 2023 - \$47,413) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at September 30, 2023 as management will need additional financing to continue its operations and fund its exploration program.

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 September 30, 2023.

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 September 30, 2023, 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 November 28, 2023

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 18,756,000 common shares (including 455,000 common shares held in escrow).

Stock options: 425,000 stock options at \$0.11 per share exercisable until February 23, 2024, 499,600 stock options at \$0.15 per share exercisable until December 8, 2026, 500,000 stock options at \$0.05 per share exercisable until July 27, 2028, and 425,400 stock options at \$0.05 per share exercisable until September 21, 2028.

Warrants: 1,500,000 warrants at an exercise price of \$0.12, expiring November 26, 2025, 3,500,000 warrants at an exercise price of \$0.15, expiring November 26, 2025, and 3,125,000 warrants at an exercise price of \$0.05, expiring July 27, 2028.

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.