

SHERPA II HOLDINGS CORP.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended June 30, 2024

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 year ended June 30, 2024. This MD&A should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2024, 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.sedarplus.ca. All of the following amounts are expressed in Canadian dollars unless otherwise stated. This MD&A has been prepared as of October 10, 2024.

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 five 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 (paid)
- 1,000,000 common shares of the Company (issued)
- \$200,000 in work expenditures within six months of closing (incurred) (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 year ended June 30, 2024, the Company incurred a management fee of \$1,936 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"). During the year ended June 30, 2024, the Company incurred \$19,363 of expenditures which were funded by District (2023 - \$6,195).

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, June 30, 2024	\$ 130,000
Deferred Exploration Costs	
Balance, June 30, 2022	\$ 236,042
Additions	466,520
Charged back to District Metals Corp.	(89,862)
Balance, June 30, 2023	612,700
Additions	21,299
Charged back to District Metals Corp.	(21,299)
Balance, June 30, 2024	612,700
Total	
Balance, June 30, 2023	\$ 742,700
Balance, June 30, 2024	\$ 742,700

Selected Annual Information

The selected financial information below are derived from the Company's audited financial statements for the years ended June 30, 2024, 2023 and 2022, prepared in accordance with IFRS. The Company's significant accounting policies and new accounting policies applied in the preparation of its financial statements are outlined in Note 3 to the Company's audited financial statements for the years ended June 30, 2024 and 2023.

	Year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Total revenue	\$ -	\$ -	\$ -
Net loss	135,478	43,058	147,568
Basic and diluted loss per common share:	0.01	0.00	0.01
	As at		
	June 30, 2024	June 30, 2023	June 30, 2022
Cash	\$ 59,904	\$ 8,169	\$ 458,471
Total assets	811,410	759,310	848,990
Current and total liabilities	23,334	47,413	94,035
Shareholders' equity	788,076	711,897	754,955

For a discussion of the factors affecting the Company's losses see "Results of Operations" and "Fourth Quarter" below.

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Results of Operations

For the year ended June 30, 2024, the Company reported a net loss of \$135,478, an increase in loss of \$92,420 as compared to the net loss of \$43,058 for the year ended June 30, 2023. The increase in loss was driven by:

- In the prior year, the Company recognized a recovery on the reversal of the flow-through premium liability of \$68,885. There was no such reversal in the current year, as the Company incurred all the required expenditures in the prior year.
- General and administrative costs decreased by \$1,596 and professional fees decreased by \$380, driven by standard fluctuations in the course of business.
- Transfer agent and filing fees increased by \$4,573, as the Company had share-based activity in the current year.
- Stock-based compensation increased by \$20,938 due to an option grant in the current year.

Summary of Quarterly Results

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

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net (Loss) Income for the Period	\$ (41,495)	\$ (19,847)	\$ (32,834)	\$ (41,302)	\$ (41,518)	\$ (24,058)	\$ 39,096	\$ (16,578)
(Loss) Earnings per Share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)

The decrease in loss for Q3, 2024 is driven by expenditure fluctuations nominally compared to the previous quarters.

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.

Liquidity and Capital Resources

The Company reported a working capital surplus of \$45,376 at June 30, 2024 (June 30, 2023 - deficit of \$30,803) and cash of \$59,904 (June 30, 2023 - \$8,169).

As of June 30, 2024, the Company had current liabilities of \$23,334 (June 30, 2023 - \$47,413).

On July 27, 2023, the Company completed a private placement for aggregate gross proceeds of \$125,000, which consisted 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.

On May 9, 2024, 730,000 warrants were exercised at an exercise price of \$0.05, for gross proceeds of \$36,500.

On May 15, 2024, 750,000 warrants were exercised at an exercise price of \$0.05, for gross proceeds of \$37,500.

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, 2024, 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 year ended June 30, 2024, the Company paid Carson Halliday \$18,000 (2023 - \$18,000) for CFO consulting fees. There was \$Nil owing to related parties as of June 30, 2024 (2023 - \$3,000).

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.

Fourth Quarter

For the three months ended June 30, 2024, the Company incurred a net loss of \$41,495 compared to \$41,518 for the same period in 2023, a decrease in loss of \$23. The decrease in loss was nominal and costs incurred were in the normal course of operations.

Proposed Transactions

None.

Critical Accounting Estimates

Not applicable for Venture Issuers.

New accounting standard and interpretation

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure of Financial Statements (IFRS 18), which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into the three defined categories of operating, investing and financing, and by specifying certain defined totals and subtotals.

Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes.

IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. Retrospective application is required, and early application is permitted. The Company is currently assessing the effect of this new standard on its financial statements.

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Financial Instruments

Categories of financial instruments and fair value measurements

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

	June 30, 2024	June 30, 2023
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 59,904	\$ 8,169
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ -	\$ 24,675

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, 2024, 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, 2024, 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, 2024, the Company had cash of \$59,904 (June 30, 2023 - \$8,169) and accounts payable and accrued liabilities of \$23,334 (June 30, 2023 - \$47,413) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at June 30, 2024 as management will need additional financing to continue its operations.

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, 2024.

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, 2024, the Company is not exposed to foreign currency risk, as it does not have cash or payables denominated in a foreign currency.

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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 10, 2024

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 20,236,000 common shares.

At the date of this report, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Remaining contractual life (in years)
December 8, 2026	474,600	474,600	\$ 0.15	2.24
July 27, 2028	485,000	485,000	\$ 0.05	3.88
September 21, 2028	425,400	425,400	\$ 0.05	4.03
July 9, 2029	630,000	630,000	\$ 0.05	4.83

At the date of this report, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price	Remaining contractual life (in years)
November 26, 2025	3,500,000	\$ 0.15	1.21
November 26, 2025	1,500,000	\$ 0.12	1.21
July 27, 2028	1,645,000	\$ 0.05	3.88

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.sedarplus.ca.