

SHERPA II HOLDINGS CORP.

Interim Condensed Financial Statements

September 30, 2018

Presented in Canadian dollars - Unaudited

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by the entity's auditor.

SHERPA II HOLDINGS CORP.

Interim Statements of Financial Position
(Expressed in Canadian dollars – Unaudited)

	Note	September 30, 2018	June 30, 2018
Assets			
Current assets			
Cash		\$ 422,730	\$ 79,181
Prepaid expenses		-	20,500
<hr/>			
Total assets		\$ 422,730	\$ 99,681
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Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	3	\$ 426	\$ 33,881
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Shareholders' equity			
Share capital	4	482,074	92,272
Stock option reserve		47,939	-
Deficit		(107,709)	(26,472)
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Total shareholders' equity		422,304	65,800
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Total liabilities and shareholders' equity		\$ 422,730	\$ 99,681

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Thomas O'Neill"

Thomas O'Neill, President

"Robert Scott"

Robert Scott, Director

The accompanying notes are an integral part of these condensed interim financial statements

SHERPA II HOLDINGS CORP.

Interim Statement of Comprehensive Loss
(Expressed in Canadian dollars – Unaudited)

	Three Months Ended September 30, 2018
Administrative expenses	
General and administrative	\$ 31,991
Stock based compensation	47,939
Professional fees	1,307
Net and comprehensive loss	\$ (81,237)
Weighted average number of outstanding shares	476,195
Basic and diluted loss per share	\$ (0.17)

The accompanying notes are an integral part of these condensed interim financial statements

SHERPA II HOLDINGS CORP.

Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars – Unaudited)

	Share capital				Total shareholders' equity
	Number	Amount	Reserves	Deficit	
Balance, June 30, 2018	2,000,000	\$ 92,272	\$ -	\$ (26,472)	\$ 65,800
Common shares issued for cash, net of issuance costs	4,381,000	389,802	-	-	389,802
Stock based compensation	-	-	47,939	-	47,939
Net loss	-	-	-	(81,237)	(81,237)
Balance, September 30, 2018	6,381,000	\$ 482,074	\$ 47,939	\$ (107,709)	\$ 422,304

The accompanying notes are an integral part of these condensed interim financial statements

SHERPA II HOLDINGS CORP.

Interim Statement of Cash Flows

(Expressed in Canadian dollars – Unaudited)

Three Months
Ended
September 30,
2018

Cash provided by (used in):

Operating activities

Net loss	\$ (81,237)
Item not effecting cash	
Stock based compensation	47,939
Changes in non-cash working capital item:	
Prepaid expenses	20,500
Accounts payable and accrued liabilities	(33,455)
<hr/> Cash used in operating activities	<hr/> (46,253)

Financing activity

<hr/> Issuance of shares, net of issuance costs	<hr/> 389,802
<hr/> Cash provided by financing activity	<hr/> 389,802
Increase (decrease) in cash	343,549
Cash, beginning	79,181
<hr/> Cash, ending	<hr/> \$ 422,730

The accompanying notes are an integral part of these condensed interim financial statements

SHERPA II HOLDINGS CORP.

Notes to the Interim Financial Statements

For the three months ended September 30, 2018

(Expressed in Canadian dollars – Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Sherpa II Holdings Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act 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”). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. As a CPC, the proceeds raised by the Company from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Company and \$210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenditures of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

The head office of the Company is located at Suite 918 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3 and the registered and records office of the Company is located at Suite 2200 – 885 West Georgia Street, Vancouver, British Columbia V6C 3E8. On March 20, 2018, the Company engaged PI Financial Corp. (“Agent”) to act as exclusive agent with respect to a proposed initial public offering (“Offering”) by the Company as a CPC of a minimum of 2,000,000 to a maximum of 5,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of a minimum of \$200,000 to a maximum of \$500,000. The Agent will receive compensation options equal to 10% of the number of shares sold, exercisable at \$0.10 for a period of 24 months from closing.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will complete its IPO or identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

SHERPA II HOLDINGS CORP.

Notes to the Interim Financial Statements
For the three months ended September 30, 2018
(Expressed in Canadian dollars – Unaudited)

2. BASIS OF PREPARATION

(a) Statement of Compliance with International Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2018 annual financial statements and are presented in Canadian dollars, which is the Company’s functional currency.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on November 28, 2018.

(b) Use of estimates and judgments

The preparation of the Company’s financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, share-based payments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company’s ability to continue as a going concern.

SHERPA II HOLDINGS CORP.

Notes to the Interim Financial Statements
For the three months ended September 30, 2018
(Expressed in Canadian dollars – Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Cash and Cash Equivalents*

Cash and cash equivalents include cash at banks and highly liquid investments with original maturities of three months or less, which are readily convertible into a known amount of cash.

(b) *Financial Instruments*

The Company adopted all of the requirements of IFRS 9 Financial Instruments as of inception on January 18, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income (loss).

SHERPA II HOLDINGS CORP.

Notes to the Interim Financial Statements
For the three months ended September 30, 2018
(Expressed in Canadian dollars – Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Financial Instruments (continued)*

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit and loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized at the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

(c) *Income and Loss Per Share*

Basic income and loss per share amounts are calculated by dividing income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted income or loss per share amounts are determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

SHERPA II HOLDINGS CORP.

Notes to the Interim Financial Statements
For the three months ended September 30, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payments reserve.

The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

4. SHARE CAPITAL

Common shares

The Company has authorized an unlimited number of common shares without par value.

Issued

- On January 18, 2018, the Company issued 1 common share pursuant to the inception of the Company at a price of \$1.00 per share. On March 14, 2018, the 1 common share was repurchased by the Company at a cost of \$1.
- On March 14, 2018, the Company issued 2,000,000 common shares at \$0.05 per share for total proceeds of \$100,000. The Company incurred share issuance costs of \$7,728 in relation to these issuances.
- On September 20, 2018, the Company completed its IPO whereby it issued 2,881,000 common shares at a price of \$0.10 per common share for proceeds of \$288,100. In addition, the Company completed a non-brokered private placement where by 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.

Warrants

The following is a summary of warrants outstanding at September 30, 2018:

Number of Shares	Exercise Price	Expiry Date	Exercisable
288,100	\$0.10	September 20, 2020	288,100

SHERPA II HOLDINGS CORP.

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4. SHARE CAPITAL (continued)

Stock Options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the Exchange. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On September 20, 2018, the Company issued 638,100 stock options at a price of \$0.10 per share, expiring September 20, 2023. The estimated fair value of the options was \$47,939 which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 100%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free interest rate of 2.31%.

The weighted average remaining life of options at September 30, 2018 was 4.97 years.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2018:

Number of Shares	Exercise Price	Expiry Date	Exercisable
638,100	\$0.10	September 20, 2023	638,100

5. MANAGEMENT OF CAPITAL

The Company's capital structure consists of cash and share capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to external capital requirements.