

SHERPA II HOLDINGS CORP.

Interim Condensed Financial Statements

September 30, 2019

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 Condensed Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2019 (unaudited)	June 30, 2019
Assets			
Current assets			
Cash		\$ 384,864	\$ 389,625
Prepaid expenses		2,167	3,467
Total assets		\$ 387,031	\$ 393,092
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	3	\$ 5,250	\$ 4,000
Shareholders' equity			
Share capital	4	466,770	466,770
Stock option reserve		63,243	63,243
Deficit		(148,232)	(140,921)
Total shareholders' equity		381,781	389,092
Total liabilities and shareholders' equity		\$ 387,031	\$ 393,092

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 Condensed Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars – unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Administrative expenses		
General and administrative	\$ 7,311	\$ 31,991
Stock based compensation	-	47,939
Professional fees	-	1,307
Net and comprehensive loss	\$ (7,311)	\$ (81,237)
Weighted average number of outstanding shares	4,381,000	476,195
Basic and diluted loss per share	\$ (0.00)	\$ (0.17)

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

SHERPA II HOLDINGS CORP.

Interim Statements 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	374,498	15,304	-	389,802
Stock based compensation	-	-	47,939	-	47,939
Net loss	-	-	-	(81,237)	(81,237)
Balance, September 30, 2018	6,381,000	\$ 466,770	\$ 63,243	\$ (107,709)	\$ 422,304
Balance, June 30, 2019	6,381,000	\$ 466,770	\$ 63,243	\$ (140,921)	\$ 389,092
Net loss	-	-	-	(7,311)	(7,311)
Balance, September 30, 2019	6,381,000	\$ 466,770	\$ 63,243	\$ (148,232)	\$ 381,781

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

SHERPA II HOLDINGS CORP.Interim Condensed Statements of Cash Flows
(Expressed in Canadian dollars – Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
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Cash provided by (used in):		
<i>Operating activities</i>		
Net loss	\$ (7,311)	\$ (81,237)
Item not effecting cash		
Stock based compensation	-	47,939
Changes in non-cash working capital item:		
Prepaid expenses	1,300	20,500
Accounts payable and accrued liabilities	1,250	(33,455)
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Cash used in operating activities	(4,761)	(46,253)
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<i>Financing activity</i>		
Issuance of shares, net of issuance costs	-	389,802
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Cash provided by financing activity	-	389,802
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Increase (decrease) in cash	(4,761)	343,549
Cash, beginning	389,625	79,181
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Cash, ending	\$ 384,864	\$ 422,730
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The accompanying notes are an integral part of these condensed interim financial statements

SHERPA II HOLDINGS CORP.

Notes to the Interim Condensed Financial Statements

For the three months ended September 30, 2019 and 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.

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 Condensed Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in Canadian dollars – Unaudited)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed, and therefore these financial statements should be read in conjunction with the Company’s June 30, 2019 audited annual consolidated financial statements and the notes to such financial statements.

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.

These financial statements are based on the IFRS issued and effective as of November 28, 2019, the date these financial statements were authorized for issuance by the Company’s Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

a) New accounting standards and interpretations

The Company adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company’s financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company’s financial statements.

b) Accounting standards issued but not yet adopted

The Company has not applied the following amendment that has been issued but is not yet effective: Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

SHERPA II HOLDINGS CORP.

Notes to the Interim Condensed Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars – Unaudited)

3. 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 Initial Public Offering 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 a warrant 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 \$63,602, which includes the fair value of warrants issued to the agent, commission of \$28,810 and corporate financing fee of \$19,488 paid to the agent.
- As at September 30, 2019, there were 3,000,000 shares remaining in escrow. 10% of the common shares will be released from escrow on the issuance of the final Exchange bulletin on the closing of a Qualifying Transaction and an additional 15% will be released every six months following the initial release over a period of thirty-six months.

Warrants

On September 20, 2018, the Company issued 288,100 warrants at a price of \$0.10 per share, expiring September 20, 2020. The estimated fair value of the options was \$15,304 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 100%; an expected life of 2 years; a dividend yield rate of 0%; and a risk-free interest rate of 2.25%.

The weighted average remaining life of warrants at September 30, 2019 was 0.98 years.

The following is a summary of warrants outstanding at September 30, 2019:

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

SHERPA II HOLDINGS CORP.

Notes to the Interim Condensed Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars – Unaudited)

3. 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, 2019 was 3.98 years.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2019:

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

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

4. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2019 and 2018, the Company entered into the following transactions with related parties:

- Key management compensation paid and accrued to directors, officers and companies in which directors and officers are shareholders and employees consisted of stock-based compensation of \$Nil and \$47,939, respectively (see Note 3).

5. CAPITAL MANAGEMENT

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. There were no changes in the Company's approach to capital management for the three months ended September 30, 2019. The Company is not subject to external capital requirements.