

**SHERPA II HOLDINGS CORP.**

Condensed Interim Financial Statements

September 30, 2020

Presented in Canadian dollars - Unaudited

**SHERPA II HOLDINGS CORP.**Condensed Interim Statements of Financial Position  
(Expressed in Canadian dollars)

|  | Note | September 30,<br>2020<br>(unaudited) | June 30,<br>2020 |
|--|------|--------------------------------------|------------------|
| <hr/>                                      |      |                                      |                  |
| Assets                                     |      |                                      |                  |
| Current assets                             |      |                                      |                  |
| Cash                                       |      | \$ 322,270                           | \$ 332,619       |
| Prepaid expenses                           |      | 2,167                                | 5,042            |
| <hr/>                                      |      |                                      |                  |
| Total assets                               |      | \$ 324,437                           | \$ 337,661       |
| <hr/>                                      |      |                                      |                  |
| Liabilities and shareholders' equity       |      |                                      |                  |
| Current liabilities                        |      |                                      |                  |
| Accounts payable and accrued liabilities   |      | \$ 65,937                            | \$ 23,955        |
| <hr/>                                      |      |                                      |                  |
| Shareholders' equity                       |      |                                      |                  |
| Share capital                              | 3    | 466,770                              | 466,770          |
| Share-based payment reserve                | 3    | 47,939                               | 63,243           |
| Deficit                                    |      | (256,209)                            | (216,307)        |
| <hr/>                                      |      |                                      |                  |
| Total shareholders' equity                 |      | 258,500                              | 313,706          |
| <hr/>                                      |      |                                      |                  |
| Total liabilities and shareholders' equity |      | \$ 324,437                           | \$ 337,661       |
| <hr/>                                      |      |                                      |                  |

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.

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

|   | Three Months<br>Ended<br>September 30,<br>2020 | Three Months<br>Ended<br>September 30,<br>2019 |
|---|--|--|
| Administrative expenses   |  |  |
| General and administrative                                      | \$ 12,829                                      | \$ 7,311                                       |
| Transfer agent and regulatory fees                              | 4,874  | -  |
| Professional fees   | 37,503   | -  |
| <b>Net and comprehensive loss</b>                               | <b>\$ (55,206)</b>                             | <b>\$ (7,311)</b>                              |
| <b>Weighted average number of<br/>common shares outstanding</b> | <b>3</b><br>3,381,000                          | <b>3,381,000</b>                               |
| <b>Basic and diluted loss per share</b>                         | <b>\$ (0.02)</b>                               | <b>\$ (0.00)</b>                               |

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

**SHERPA II HOLDINGS CORP.**

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

|                             |      | Share capital |            |                                   |              | Total                   |
|-----------------------------|------|---------------|------------|-----------------------------------|--------------|-------------------------|
|                             | Note | Number        | Amount     | Share-based<br>payment<br>reserve | Deficit      | shareholders'<br>equity |
| 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                         | \$ (148,312) | \$ 381,781              |
| Balance, June 30, 2020      |      | 6,381,000     | \$ 466,770 | \$ 63,243                         | \$ (216,307) | \$ 313,706              |
| Expiry of warrants          | 3    | -             | -          | (15,304)                          | 15,304       | -                       |
| Net loss                    |      | -             | -          | -                                 | (55,206)     | (55,206)                |
| Balance, September 30, 2020 |      | 6,381,000     | \$ 466,770 | \$ 47,939                         | \$ (256,209) | \$ 258,500              |

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

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

|   | Three Months<br>Ended<br>September 30,<br>2020 | Three Months<br>Ended<br>September 30,<br>2019 |
|---|--|--|
| <hr/>                                     |  |  |
| Cash provided by (used in):               |  |  |
| <i>Operating activities</i>               |  |  |
| Net loss                                  | \$ (55,206)                                    | \$ (7,311)                                     |
| Changes in non-cash working capital item: |  |  |
| Prepaid expenses                          | 2,875  | 1,300  |
| Accounts payable and accrued liabilities  | 41,982   | 1,250  |
|   | <hr/>  | <hr/>  |
| Cash used in operating activities         | (10,349)                                       | (4,761)  |
|   | <hr/>  | <hr/>  |
| Decrease in cash                          | (10,349)                                       | (4,761)  |
| Cash, beginning                           | 332,619  | 389,625  |
|   | <hr/>  | <hr/>  |
| Cash, ending                              | \$ 322,270                                     | \$ 384,864                                     |
|   | <hr/>  | <hr/>  |

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

## **SHERPA II HOLDINGS CORP.**

Notes to the Condensed Interim Financial Statements  
For the three months ended September 30, 2020 and 2019  
(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.

### **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 unaudited condensed interim financial statements should be read in conjunction with the Company’s June 30, 2020 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.

## **SHERPA II HOLDINGS CORP.**

Notes to the Condensed Interim Financial Statements  
For the three months ended September 30, 2020 and 2019  
(Expressed in Canadian dollars – Unaudited)

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

These unaudited interim condensed financial statements are based on the IFRS issued and effective as of November 30, 2020, 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.

### **3. SHARE CAPITAL**

#### *Common shares*

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

#### *Issued*

As at September 30, 2020, 6,381,000 common shares issued and outstanding including 3,000,000 shares 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 share purchase warrants at an exercise price of \$0.10 per common share. The warrants expired on September 20, 2020 and the fair value was reversed to deficit.

The estimated fair value of the warrants 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%.

#### *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, 2020 was 2.97 years. As at September 30, 2020, 159,525 stock options had expired due to the resignation of a former director.

On September 22, 2020, the Company approved the issuance of 159,525 stock options to officers and directors of the Company. The grant of the options is subject to completion of the qualifying transaction (Note 5), and has not yet occurred as of September 30, 2020.

## **SHERPA II HOLDINGS CORP.**

Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Expressed in Canadian dollars – Unaudited)

### **3. SHARE CAPITAL (continued)**

#### *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. 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, 2020. The Company is not subject to external capital requirements.

### **5. SUBSEQUENT EVENTS**

By agreement dated August 17, 2020, as amended on September 23, 2020, the Company entered into a definitive purchase agreement with District Metals Corp. to acquire 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. The intention is for the Transaction to constitute the Company's Qualifying Transaction. The Company will acquire the Bakar Claims and all technical data for 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; and
- Carry over of the 2.0% net smelter royalty ("NSR") from the royalty agreement dated July 12, 2019 between District Metals Corp. 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.

Concurrent with the closing of the transaction, the Company expects to complete a private placement for gross proceeds of \$300,000. The Company expects to issue 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.

The transaction is subject to the approval of the Exchange.