

SHERPA II HOLDINGS CORP.

Condensed Interim Financial Statements

September 30, 2021

Presented in Canadian dollars – Unaudited

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SHERPA II HOLDINGS CORP.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	September 30, 2021 (unaudited)	June 30, 2021
Assets			
Current assets			
Cash		\$ 138,520	\$ 180,892
Receivables		10,264	8,661
Prepaid expenses		2,167	3,467
Total current assets		150,951	193,020
Exploration and evaluation asset	3	341,450	311,942
Total assets		\$ 492,401	\$ 504,962
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 25,232	\$ 20,425
Flow-through share premium liability	4	6,034	12,638
Total liabilities		31,266	33,063
Shareholders' equity			
Share capital	5	806,770	806,770
Share-based payment reserve	5	74,271	74,271
Deficit		(419,906)	(409,142)
Total shareholders' equity		461,135	471,899
Total liabilities and shareholders' equity		\$ 492,401	\$ 504,962

Nature and continuance of operations (Note 1)

Subsequent event (Note 9)

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)

	Note	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Administrative expenses			
General and administrative		\$ 6,105	\$ 12,829
Transfer agent and filing fees		3,056	4,874
Professional fees		8,207	37,503
Reversal of flow-through share premium liability	4	(6,604)	-
Net and comprehensive loss		\$ (10,764)	\$ (55,206)
Weighted average number of common shares		10,631,000	3,381,000
Basic and diluted loss per share		\$ (0.00)	\$ (0.02)

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

SHERPA II HOLDINGS CORP.

Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars – unaudited)

		Share capital					Total
	Note	Number	Amount	Share-based payment reserve	Deficit		shareholders' equity
Balance, June 30, 2020		6,381,000	\$ 466,770	\$ 63,243	\$ (216,307)	\$	313,706
Expiry of warrants		-	-	(15,304)	15,304		-
Net and comprehensive loss		-	-	-	(208,139)		(208,139)
Balance, September 30, 2020		6,381,000	\$ 466,770	\$ 47,939	\$ (256,209)	\$	258,500
Balance, June 30, 2021		10,631,000	\$ 806,770	\$ 74,271	\$ (409,142)	\$	471,899
Net and comprehensive loss		-	-	-	(10,764)		(10,764)
Balance, September 30, 2021		10,631,000	\$ 806,770	\$ 74,271	\$ (419,906)	\$	461,135

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 Ended September 30, 2021	Three Months Ended September 30, 2020
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Cash provided by (used in):		
Operating activities:		
Net loss	\$ (10,764)	\$ (55,206)
Item not effecting cash		
Reversal of flow-through share premium liability	(6,604)	-
Changes in non-cash working capital item:		
Receivables and prepaid expenses	(303)	2,875
Accounts payable and accrued liabilities	(2,168)	41,982
Cash used in operating activities	(19,839)	(10,349)
Investing activities:		
Exploration and evaluation assets	(22,533)	-
Cash used in investing activities	(22,533)	-
Decrease in cash	(42,372)	(10,349)
Cash, beginning	180,892	332,619
Cash, ending	\$ 138,520	\$ 322,270

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, 2021 and 2020

(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" or "TSX-V") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. On December 15, 2020, the Company completed its Qualify Transaction (the "Transaction") (Note 4). Subsequently, the Company is engaged in the business of mineral exploration. 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 Company is listed on the TSX-V and trades under the symbol "SHRP".

The Company incurred a loss of \$10,764 for the three months ended September 30, 2021 (2020 - \$55,206). As at September 30, 2021, the Company had an accumulated deficit of \$419,906 (June 30, 2021 - \$409,142). Consequently, continuing business as a going concern is dependent upon the ability of the Company to carry on its exploration projects, generation of positive cash flows, and obtain additional debt or equity financing, all of which are uncertain. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

For significant expenditures, the Company will depend almost exclusively on external capital. Such external capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and development plans. The issuance of additional equity securities by the Company will result in dilution to the equity interests of current shareholders. The Company's future capital requirements will depend on many factors, including the operating costs, the current capital market environment and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations, cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in the future.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed interim 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, 2021 audited annual financial statements and the notes thereto.

The preparation of the Company's condensed interim 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, 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, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

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

These condensed interim financial statements are based on the IFRS issued and effective as of November 26, 2021, 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 financial statements.

3. EXPLORATION AND EVALUATION ASSETS

By agreement dated August 17, 2020, and amended on September 23, 2020, the Company entered into a purchase agreement (the "Bakar Purchase Agreement") with District Metals Corp. ("District") 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 "Transaction"). The Transaction closed on December 15, 2020. The Company acquired the Bakar Claims and all technical data for total consideration of:

- \$50,000 cash payment (paid);
- 1,000,000 common shares of the Company (issued with a fair value of \$80,000);
- \$200,000 in work expenditures within six months of closing (the "Required Expenditures") (incurred subsequently); and
- 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.

Costs incurred with respect to the property are summarized below:

Acquisition Costs	Bakar Property	
Balance, June 30, 2020	\$	-
Additions		130,000
Balance, June 30, 2021		130,000
Additions		-
Balance, September 30, 2021	\$	130,000
Deferred Exploration Costs		
Balance, June 30, 2020	\$	-
Additions		181,942
Balance, June 30, 2021		181,942
Additions		29,508
Balance, June 30, 2021	\$	211,450
Total		
Balance, June 30, 2021	\$	311,942
Balance, September 30, 2021	\$	341,450

As at September 30, 2021, the Company had paid the entire \$50,000 cash purchase price and issued 1,000,000 common shares with a fair value of \$80,000. The Company had incurred \$169,828 of the \$200,000 in Required Expenditures.

SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

4. FLOW-THROUGH SHARE PREMIUM LIABILITY

On December 15, 2020, concurrent with the closing of the Transaction, the Company completed a private placement whereby the Company issued 2,000,000 flow-through common shares for gross proceeds of \$200,000 (Note 6). The flow-through shares were issued at a premium of \$0.02 per flow-through share, calculated as the difference in the price per flow-through unit and the price of a standard unit sold as part of the same offering, as tax deductions generated by the eligible expenditures will be passed through to the shareholders of the flow-through shares once the eligible expenditures are incurred and renounced.

The total flow-through share premium liability related to the 2,000,000 flow-through shares is \$40,000 and represents the Company's obligation to spend \$200,000 on eligible expenditures. As of September 30, the Company had incurred eligible expenditures of \$169,828.

Balance, June 30, 2020	\$	12,638
December 15, 2020 financing		40,000
Reversal of flow-through premium		(27,632)
Balance, June 30, 2021		12,638
Reversal of flow-through premium		(6,604)
Balance, September 30, 2021	\$	6,034

5. SHARE CAPITAL

Common shares

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

Issued

The company issued no common shares during the three months ended September 30, 2021 or September 30, 2020.

As at September 30, 2021, the Company had 10,631,000 common shares issued and outstanding (September 30, 2020 – 6,381,000), including 2,275,000 shares held in escrow (September 30, 2020 – 3,000,000). 10% of the common shares were released from escrow on December 15, 2020, on the issuance of the final Exchange bulletin on the closing of the Qualifying Transaction. On May 5, 2021, an additional 30,000 shares were issued and held in escrow. An additional 15% was released on June 15, 2021, six months following the initial release, and 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%.

There were no warrants issued during the three months ended September 30, 2021 or 2020.

SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

5. 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 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may vest immediately on grant, or over a period as determined by the Board of Directors.

There were no stock options granted during the three months ended September 30, 2021 or 2020.

A continuity schedule of the Company's outstanding stock options for the three months ended September 30, 2021 and 2020 is as follows:

	September 30, 2021		September 30, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	1,063,100	\$ 0.10	638,100	\$ 0.10
Granted	-	-	-	-
Outstanding and exercisable, ending	1,063,100	\$ 0.10	638,100	\$ 0.10

At September 30, 2021, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (in years)
September 18, 2023	638,100	638,100	\$ 0.10	1.97
February 23, 2024	425,000	425,000	\$ 0.11	2.40

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.

6. RELATED PARTY TRANSACTIONS

There were no related party transactions during the three months ended September 30, 2021 and 2020.

SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements
For the three months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars - unaudited)

7. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

	September 30, 2021	June 30, 2021
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 138,520	\$ 180,892
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 190	\$ 2,520

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, 2021, 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, 2021, 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 September 30, 2021, the Company had cash of \$138,520 (September 30, 2020 - \$322,270) and accounts payable and accrued liabilities of \$25,232 (September 30, 2020 - \$65,937) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at September 30, 2021 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, 2021.

SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

7. FINANCIAL INSTRUMENTS (continued)

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, 2021, the Company is not exposed to foreign currency risk, as it does not have cash or payables denominated in a foreign currency.

8. 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.

9. SUBSEQUENT EVENT

On November 26, 2021, the Company completed a non-brokered private placement for gross proceeds of \$470,000, comprising of 1,500,000 units at \$0.08 per unit, for aggregate proceeds of \$120,000 and 3,500,000 flow-through units at \$0.10 per flow-through unit, for aggregate proceeds of \$350,000. Each unit consists of one common share and one common share purchase warrant, exercisable at a 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, exercisable at \$0.15 for a period of 24 months.