

SHERPA II HOLDINGS CORP.

Condensed Interim Financial Statements

September 30, 2022

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, 2022 (unaudited)	June 30, 2022
Assets			
Current assets			
Cash		\$ 403,989	\$ 458,471
Receivables	3	19,316	20,325
Prepaid expenses		2,823	4,152
Total current assets		426,128	482,948
Exploration and evaluation asset	4	405,438	366,042
Total assets		\$ 831,566	\$ 848,990
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 26,859	\$ 25,150
Flow-through share premium liability	5	66,330	68,885
Total liabilities		93,189	94,035
Shareholders' equity			
Share capital	6	1,199,194	1,199,194
Share-based payment reserve	6	98,800	98,800
Deficit		(559,617)	(543,039)
Total shareholders' equity		738,377	754,955
Total liabilities and shareholders' equity		\$ 831,566	\$ 848,990

Nature and continuance of operations (Note 1)

Subsequent event (Note 10)

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, 2022	Three Months Ended September 30, 2021
Expenses			
General and administrative		\$ 12,077	\$ 6,105
Consulting fees	7	4,500	-
Transfer agent and filing fees		1,519	3,056
Professional fees		1,037	8,207
Reversal of flow-through share premium liability	5	(2,555)	(6,604)
Net and comprehensive gain/(loss)		\$ (16,578)	\$ (10,764)
Weighted average number of common shares		15,631,000	10,631,000
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)

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, 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
Balance, June 30, 2022		15,631,000	\$ 1,199,194	\$ 98,800	\$ (543,039)	\$	754,955
Net and comprehensive loss		-	-	-	(16,578)		(16,578)
Balance, September 30, 2022		15,631,000	\$ 1,199,194	\$ 98,800	\$ (559,617)	\$	738,377

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, 2022	Three Months Ended September 30, 2021
Cash used in:		
Operating activities:		
Net loss	\$ (16,578)	\$ (10,764)
Item not effecting cash		
Reversal of flow-through share premium liability	(2,555)	(6,604)
Changes in non-cash working capital item:		
Receivables and prepaid expenses	2,338	(303)
Accounts payable and accrued liabilities	(461)	(2,168)
Cash used in operating activities	(17,256)	(19,839)
Investing activities:		
Exploration and evaluation assets	(37,226)	(22,533)
Cash used in investing activities	(37,226)	(22,533)
Decrease in cash	(54,482)	(42,372)
Cash, beginning	458,471	180,892
Cash, ending	\$ 403,989	\$ 138,520

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SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2022 and 2021

(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 reported a net loss of \$16,578 for the three months ended September 30, 2022 (2021 - \$10,764). As at September 30, 2022, the Company had an accumulated deficit of \$559,617 (June 30, 2022 - \$543,039). 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.

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, 2022 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.

These condensed interim financial statements are based on the IFRS issued and effective as of November 28, 2022, the date these condensed interim 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.

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3. RECEIVABLES

The Company's receivables consisted of:

	September 30, 2022	June 30, 2022
GST receivable	\$ 2,165	\$ 11,589
Receivable from District Metals Corp.	17,151	8,736
Total	\$ 19,316	\$ 20,325

During the three year ended June 30, 2022, the Company fulfilled the Required Expenditures pursuant to the Bakar Purchase Agreement (Note 4). Expenditures incurred above the \$200,000 Required Expenditures threshold are to be split on the basis of the respective joint ownership in the Bakar Claims for the Company and District Metal Corp. ("District"), which is 80 and 20% respectively. The receivable of \$17,151 represents District's share of the expenditures on Bakar incurred by the Company, to be reimbursed.

4. 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 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); 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. 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 Company and District's respective ownership in the Bakar claims. The Company has incurred total expenditures of \$285,756 on the Bakar property, of which \$17,151 are to be reimbursed by District (Note 3).

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4. EXPLORATION AND EVALUATION ASSETS (continued)

Costs incurred with respect to the property are summarized below:

	Bakar Property	
Acquisition Costs		
Balance, June 30, 2021	\$	130,000
Additions		-
Balance, June 30, 2022		130,000
Additions		-
Balance, September 30, 2022	\$	130,000
Deferred Exploration Costs		
Balance, June 30, 2021	\$	181,942
Additions		62,836
Charged back to District		(8,736)
Balance, June 30, 2022		236,042
Additions		47,811
Charged back to District		(8,415)
Balance, September 30, 2022		275,438
Total		
Balance, June 30, 2022	\$	366,042
Balance, September 30, 2022	\$	405,438

5. FLOW-THROUGH SHARE PREMIUM LIABILITY

On November 26, 2021, the Company completed a private placement whereby the Company issued 3,500,000 flow-through common shares for gross proceeds of \$350,000 (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 3,500,000 flow-through common shares is \$70,000 and represents the Company's obligation to spend \$350,000 on eligible expenditures.

As of September 30, 2022, the Company had incurred \$18,349 in eligible expenditures of the \$350,000.

Balance, June 30, 2021	\$	12,638
November 26, 2021 financing		70,000
Reversal of flow-through premium		(13,753)
Balance, June 30, 2022		68,885
Reversal of flow-through premium		(2,555)
Balance, September 30, 2022	\$	66,330

6. SHARE CAPITAL

Common shares

As of September 30, 2022, the Company had an unlimited number of common shares authorized without par value and 15,631,000 (June 30, 2022 – 15,631,000) common shares outstanding. As of September 30, 2022, 1,365,000 shares were held in escrow (June 30, 2022 – 1,365,000).

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars - unaudited)

6. SHARE CAPITAL (continued)

Issued

The Company did not issue any common shares during the three months ended September 30, 2022, or three months ended September 30, 2021.

Warrants

There were no warrants issued during the three months ended September 30, 2022, or three months ended September 30, 2021.

On November 26, 2021, the Company issued 1,500,000 warrants exercisable at \$0.12 for a period of twenty-four months, and 3,500,000 warrants exercisable at \$0.15 for a period of twenty-four months. The Company had 5,000,000 warrants outstanding as of September 30, 2022, with a remaining contractual life of 1.16 years and a weighted exercise price of \$0.14

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, 2022 or 2021.

A continuity schedule of the Company's outstanding stock options for the three months ended September 30, 2022 and 2021 is as follows:

	September 30, 2022		September 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	1,350,000	\$ 0.12	1,063,100	\$ 0.10
Granted	-	-	-	-
Outstanding and exercisable, ending	1,350,000	\$ 0.12	1,063,100	\$ 0.10

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6. SHARE CAPITAL (continued)

At September 30, 2022, 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	319,050	319,050	\$ 0.10	0.97
September 18, 2023	106,350	106,350	\$ 0.10	0.97
February 23, 2024	425,000	425,000	\$ 0.11	1.40
December 8, 2026	499,600	499,600	\$ 0.15	4.19

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.

7. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include the Company's officers and directors. During the 3 months ended September 30, 2022, the Company paid an officer \$4,500 (2021 - \$Nil) for consulting fees.

8. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

	September 30, 2022	June 30, 2022
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 403,989	\$ 458,471
Receivables	\$ 17,151	\$ 8,736
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ -	\$ 941

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.

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8. FINANCIAL INSTRUMENTS (continued)

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, 2022, 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, 2022, 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, 2022, the Company had cash of \$403,989 (June 30, 2022 - \$458,471) and accounts payable and accrued liabilities of \$26,859 (June 30, 2022 - \$25,150) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at September 30, 2022 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, 2022.

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, 2022, the Company is not exposed to foreign currency risk, as it does not have cash or payables denominated in a foreign currency.

9. 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.

SHERPA II HOLDINGS CORP.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars - unaudited)

10. SUBSEQUENT EVENT

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.