

SHERPA II HOLDINGS CORP.

Condensed Interim Financial Statements

September 30, 2023

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, 2023 (unaudited)	June 30, 2023
Assets			
Current assets			
Cash		\$ 87,355	\$ 8,169
Receivables	3	14,942	555
Prepaid expenses		5,161	7,886
Total current assets		107,458	16,610
Exploration and evaluation asset	4	742,700	742,700
Total assets		\$ 850,158	\$ 759,310
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 41,906	\$ 47,413
Total liabilities		41,906	47,413
Shareholders' equity			
Share capital	5	1,315,913	1,199,194
Share-based payment reserve	5	92,396	98,800
Deficit		(600,057)	(586,097)
Total shareholders' equity		808,252	711,897
Total liabilities and shareholders' equity		\$ 850,158	\$ 759,310

Nature and continuance of operations and going concern (Note 1)
Subsequent event (Note 9)

These financial statements were authorized for issue by the Board of Directors on November 28, 2023. They are signed on behalf of the Board of Directors by:

"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 Ended	
	Note	September 30, 2023	September 30, 2022
Expenses			
General and administrative		\$ 12,753	\$ 12,077
Consulting fees	6	4,500	4,500
Professional fees		100	1,037
Transfer agent and filing fees		3,011	1,519
Stock-based compensation		20,938	-
Reversal of flow-through share premium liability		-	(2,555)
Net and comprehensive loss		\$ (41,302)	\$ (16,578)
Weighted average number of common shares		17,872,848	15,631,000
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		Share-based payment reserve	Deficit	Total shareholders' equity
	Note	Number	Amount			
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
Balance, June 30, 2023		15,631,000	\$ 1,199,194	\$ 98,800	\$ (586,097)	\$ 711,897
Non-flow through shares issued for cash	5	3,125,000	125,000	-	-	125,000
Share issuance costs	5	-	(8,281)	-	-	(8,281)
Fair value of expired options	5	-	-	(27,342)	27,342	-
Stock-based compensation	5	-	-	20,938	-	20,938
Net and comprehensive loss		-	-	-	(41,302)	(41,302)
Balance, September 30, 2023		18,756,000	\$ 1,315,913	\$ 92,396	\$ (600,057)	\$ 808,252

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, 2023	September 30, 2022
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (41,302)	\$ (16,578)
Item not effecting cash		
Reversal of flow-through share premium liability	-	(2,555)
Stock-based compensation	20,938	-
Changes in non-cash working capital item:		
Receivables and prepaid expenses	(11,662)	2,338
Accounts payable and accrued liabilities	(3,764)	(461)
Cash used in operating activities	(35,790)	(17,256)
Investing activities:		
Exploration and evaluation assets	(2,743)	(37,226)
Reimbursement of expenditures from joint operation partner	1,000	-
Cash used in investing activities	(1,743)	(37,226)
Financing activities:		
Issuance of shares, net of issuance costs	116,719	-
Cash provided by financing activities	116,719	-
Change in cash	79,186	(54,482)
Cash, beginning	8,169	458,471
Cash, ending	\$ 87,355	\$ 403,989

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, 2023 and 2022

(Expressed in Canadian Dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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 \$41,302 for the three months ended September 30, 2023 (2022 - \$16,578). As at September 30, 2023, the Company had an accumulated deficit of \$600,057 (June 30, 2023 - \$586,097). 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 PRESENTATION AND MATERIAL 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 interim financial statements should be read in conjunction with the Company's June 30, 2023 and 2022 audited annual financial statements and the notes to such financial statements.

These 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.

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the year ended June 30, 2023 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments – Disclosure of Accounting Policies

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The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were applied effective July 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

3. RECEIVABLES

The Company's receivables consisted of:

	September 30, 2023	June 30, 2023
GST receivable	\$ 14,018	\$ 555
Receivable from District Metals Corp. (Note 4)	924	-
Total	\$ 14,942	\$ 555

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 relative ownership in the Bakar claims.

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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. During the three months ended September 30, 2023, the Company incurred a management fee of \$1,436 pursuant to the Agreement, which contributed to increasing District's ownership in the Bakar property.

Effective January 1, 2023, the Company amended the joint operation agreement whereby District would fund 100% of the next phase of expenditures to a maximum of \$330,000 to earn back pro-rata ownership in the property, along with application of the 10% management fee of \$33,000, to a maximum of 54% (the "Amended Agreement". From the date of the Amended Agreement, the Company has incurred \$20,871 of expenditures to be funded by District, of which \$14,018 was in accounts receivable as of September 30, 2023.

Costs incurred with respect to the property are summarized below:

	Bakar Property
Acquisition Costs	
Balance, June 30, 2022	\$ 130,000
Additions	-
Balance, June 30, 2023	130,000
Additions	-
Balance, September 30, 2023	\$ 130,000
Deferred Exploration Costs	
Balance, June 30, 2022	\$ 236,042
Additions	466,520
Charged back to District Metals Corp.	(89,862)
Balance, June 30, 2023	612,700
Additions	15,799
Charged back to District Metals Corp.	(15,799)
Balance, September 30, 2023	612,700
Total	
Balance, June 30, 2023	\$ 742,700
Balance, September 30, 2023	\$ 742,700

5. SHARE CAPITAL

Common shares

As of September 30, 2023, the Company had an unlimited number of common shares authorized without par value and 18,756,000 (June 30, 2023 – 15,631,000) common shares outstanding. As of September 30, 2023, 455,000 shares were held in escrow (June 30, 2023 – 910,000).

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Issued

Three months ended September 30, 2023:

On July 27, 2023, the Company completed a private placement for aggregate gross proceeds of \$125,000, which consisted of 3,125,000 units at \$0.04 per unit. Each unit consists of one common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.05 for a period of 5 years. No value was ascribed to the common share purchase warrants using the residual value method. The Company incurred share issuance costs of \$8,281 in connection with the financing.

Three months ended September 30, 2022:

There were no common shares issued during the three months ended September 30, 2022.

Warrants

A continuity schedule of the Company's outstanding warrants for the three months ended September 30, 2023 and 2022 is as follows:

	September 30, 2023		September 30, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	5,000,000	\$ 0.14	5,000,000	\$ 0.14
Granted	3,125,000	0.05	-	-
Outstanding, ending	8,125,000	\$ 0.11	5,000,000	\$ 0.14

At September 30, 2023, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price	Remaining contractual life (in years)
November 26, 2023	3,500,000	\$ 0.11	0.16
November 26, 2023	1,500,000	\$ 0.05	0.16
July 27, 2028	3,125,000	\$ 0.05	4.83

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.

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The Black-Scholes Option Pricing Model inputs for stock options granted during the three months ended September 30, 2023, are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life (in years)	Volatility Factor	Dividend Yield	Fair Value
July 27, 2023	July 27, 2028	\$0.04	\$0.05	3.97%	5	71%	0%	\$0.02
September 21, 2023	September 21, 2028	\$0.04	\$0.05	4.33%	5	70%	0%	\$0.02

During the three months ended September 30, 2023, the Company recognized stock-based compensation of \$20,938 (2022: \$nil).

A continuity schedule of the Company's outstanding stock options for the three months ended September 30, 2023 and 2022 is as follows:

	September 30, 2023		September 30, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	1,350,000	\$ 0.12	1,350,000	\$ 0.12
Granted	925,400	0.05	-	-
Expired	(425,400)	0.10	-	-
Outstanding and exercisable, ending	1,850,000	\$ 0.07	1,350,000	\$ 0.12

The fair value of the 425,400 options that expired unexercised was \$27,342, which was reclassified to deficit during the three months ended September 30, 2023.

At September 30, 2023, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Remaining contractual life (in years)
February 23, 2024	425,000	425,000	\$ 0.11	0.40
December 8, 2026	499,600	499,600	\$ 0.15	3.19
July 27, 2028	500,000	500,000	\$ 0.05	4.83
September 21, 2028	425,400	425,400	\$ 0.05	4.98

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.

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6. 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 three months ended September 30, 2023, the Company paid an officer \$4,500 (2022 - \$4,500) for consulting fees. There was \$Nil owing to related parties as of September 30, 2023 (2022 - \$Nil).

7. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

	September 30, 2023	June 30, 2023
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 87,355	\$ 8,169
Receivables	\$ 14,942	\$ 555
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 14,031	\$ 24,675

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, 2023, 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, 2023, 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, 2023, the Company had cash of \$87,355 (June 30, 2023 - \$8,169) and accounts payable and accrued liabilities of \$41,906 (June 30, 2023 - \$47,413) with contractual maturities of less than one year. However, the Company assessed its liquidity risk as high as at September 30, 2023 as management will need additional financing to continue its operations.

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars - unaudited)

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, 2023.

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, 2023, 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 24, 2023, the Company extended the expiry date of a total of 5,000,000 outstanding common share purchase warrants. The warrants were set to expire on November 26, 2023, which was extended to November 26, 2025. All other terms and conditions remain unchanged.