

SHERPA II HOLDINGS CORP.

Financial Statements
For the years ended June 30, 2023, and 2022
Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Sherpa II Holdings Corp.

Opinion

We have audited the financial statements of Sherpa II Holdings Corp. (the "Company"), which comprise the statements of financial position as at June 30, 2023 and 2022, and the statements of loss and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 26, 2023

SHERPA II HOLDINGS CORP.

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	June 30, 2023	June 30, 2022
Assets			
Current assets			
Cash		\$ 8,169	\$ 458,471
Receivables	5	555	20,325
Prepaid expenses		7,886	4,152
		16,610	482,948
Exploration and evaluation asset	6	742,700	366,042
Total assets		\$ 759,310	\$ 848,990
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 47,413	\$ 25,150
Flow-through share premium liability	7	-	68,885
Total liabilities		47,413	94,035
Shareholders' equity			
Share capital	7,8	1,199,194	1,199,194
Share-based payment reserve	8	98,800	98,800
Deficit		(586,097)	(543,039)
Total shareholders' equity		711,897	754,955
Total liabilities and shareholders' equity		\$ 759,310	\$ 848,990

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

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 financial statements

SHERPA II HOLDINGS CORP.Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the Years Ended	
	Note	June 30, 2023	June 30, 2022
Expenses			
General and administrative		\$ 52,924	\$ 54,932
Transfer agent and filing fees		13,969	25,043
Consulting fees	9	18,000	9,000
Professional fees		27,050	34,146
Stock-based compensation	8	-	38,200
Reversal of flow-through share premium liability	7	(68,885)	(13,753)
Net and comprehensive loss		\$ (43,058)	\$ (147,568)
Weighted average number of common shares		15,631,000	13,589,904
Basic and diluted loss per share		\$ (0.00)	\$ (0.01)

The accompanying notes are an integral part of these financial statements

SHERPA II HOLDINGS CORP.

Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

		Share capital		Share-based payment reserve	Deficit	Total shareholders' equity
	Note	Number	Amount			
Balance, June 30, 2021		10,631,000	\$ 806,770	\$ 74,271	\$ (409,142)	\$ 471,899
Shares issued for cash	7,8	5,000,000	400,000	-	-	400,000
Share issuance costs	8	-	(7,576)	-	-	(7,576)
Expiry of options	8	-	-	(13,671)	13,671	-
Stock-based compensation	8	-	-	38,200	-	38,200
Net and comprehensive loss		-	-	-	(147,568)	(147,568)
Balance, June 30, 2022		15,631,000	1,199,194	98,800	(543,039)	754,955
Net and comprehensive loss		-	-	-	(43,058)	(43,058)
Balance, June 30, 2023		15,631,000	\$ 1,199,194	\$ 98,800	\$ (586,097)	\$ 711,897

The accompanying notes are an integral part of these financial statements

SHERPA II HOLDINGS CORP.
 Statements of Cash Flows
 (Expressed in Canadian Dollars)

	For the Years Ended	
	June 30, 2023	June 30, 2022
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (43,058)	\$ (147,568)
Item not effecting cash		
Reversal of flow-through share premium liability	(68,885)	(13,753)
Stock based compensation	-	38,200
Changes in non-cash working capital item:		
Receivables and prepaid expenses	16,036	(12,349)
Accounts payable and accrued liabilities	23,083	1,162
Cash used in operating activities	(72,824)	(134,308)
Investing activities:		
Exploration and evaluation assets	(428,729)	(50,537)
Reimbursement of expenditures from joint operation partner	51,251	-
Cash used in investing activities	(377,478)	(50,537)
Financing activity:		
Issuance of shares, net of issuance costs	-	462,424
Cash provided by financing activity	-	462,424
Change in cash	(450,302)	277,579
Cash, beginning	458,471	180,892
Cash, ending	\$ 8,169	\$ 458,471
Supplemental non-cash transactions:		
Interest paid	\$ -	\$ -
Taxes paid	-	-

The accompanying notes are an integral part of these financial statements

SHERPA II HOLDINGS CORP.

Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

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 6). 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 \$43,058 for the year ended June 30, 2023 (2022 - \$147,568). As at June 30, 2023, the Company had an accumulated deficit of \$586,097 (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

The financial statements were authorized for issuance on October 26, 2023 by the directors of the Company.

(a) Statement of Compliance with International Financial Reporting Standards

The Company's annual audited financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

SHERPA II HOLDINGS CORP.

Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

(c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

(d) Significant accounting judgement and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management and other major sources of measurement uncertainty are discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and highly liquid investments with original maturities of three months or less, which are readily convertible into a known amount of cash.

(b) Financial Instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

	Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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Notes to the Financial Statements

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Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit and loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized at the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

(c) Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the

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Company assess whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company did not have any leases as at or for the years ended June 30, 2023 or 2022.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration expense in the statement of loss and comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property in the period it is received.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in profit or loss.

(f) Income Taxes

SHERPA II HOLDINGS CORP.

Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(g) Foreign Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss.

(h) Income and Loss per Share

Basic income and loss per share amounts are calculated by dividing income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted income or loss per share amounts are determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(i) Share Capital

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of common shares are allocated to common share component. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more

SHERPA II HOLDINGS CORP.

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(Expressed in Canadian Dollars)

reliably measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based compensation reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes Option Pricing Model and recognized in equity as a deduction from the proceeds.

(j) Share-Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payments reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(k) Flow-Through Shares

Pursuant to the terms of the flow-through share agreements, flow-through shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability on a pro-rata basis and recognizes a deferred tax recovery for the amount of tax reduction renounced to the shareholders.

(l) Joint Arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Company's joint arrangement is classified as a joint operation.

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 6.

(m) New accounting standards and interpretations

The Company did not adopt any new accounting standards or interpretations.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

SHERPA II HOLDINGS CORP.

Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of long-lived assets

The Company evaluates each long-term asset each reporting period to determine if there are any indications of impairment. If any such indications exist, an estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The estimates and assumptions used to estimate the recoverable amount of the long-lived assets are subject to risk and uncertainty and there is the possibility that changes in circumstances will alter these estimates and assumptions.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Income taxes

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at June 30, 2023 and 2022, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

5. RECEIVABLES

As of June 30, 2023 and 2022, the Company's receivables consisted of:

	June 30, 2023		June 30, 2022	
GST receivable	\$	555	\$	11,589
Receivable from District Metals Corp.		-		8,736
Total	\$	555	\$	20,325

During the year ended June 30, 2022, the Company fulfilled the Required Expenditures pursuant to the Bakar Purchase Agreement (Note 6). Expenditures incurred above the Required Expenditures threshold

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Notes to the Financial Statements

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(Expressed in Canadian Dollars)

are to be split on the basis of the respective joint ownership in the Bakar Claims. The receivable from District Metals Corp. (“District”) represents the unpaid portion of their share of the expenditures on Bakar incurred by the Company.

6. 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 for 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.

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 work 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 year ended June 30, 2023, the Company incurred a management fee of \$46,367 pursuant to the Agreement, which was settled against District’s share of expenditures on 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, District funded expenditures of \$6,195.

Costs incurred with respect to the property are summarized below:

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Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

Acquisition Costs	Bakar Property
Balance, June 30, 2021	\$ 130,000
Additions	-
Balance, June 30, 2022	130,000
Additions	-
Balance, June 30, 2023	\$ 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	466,520
Charged back to District	(89,862)
Balance June 30, 2023	\$ 612,700
Total	
Balance, June 30, 2022	\$ 366,042
Balance, June 30, 2023	\$ 742,700

7. 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 8). 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 June 30, 2023, the Company had incurred the total eligible expenditure of \$350,000 resulting in the reversal of the remaining flow-through premium liability:

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	(68,885)
Balance, June 30, 2023	\$ -

8. SHARE CAPITAL

As of June 30, 2023, 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 June 30, 2023, 910,000 shares were held in escrow (June 30, 2022 – 1,365,000).

Year ended June 30, 2023:

The Company did not issue any common shares during the year ended June 30, 2023.

Year ended June 30, 2022:

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For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

On November 26, 2021, the Company completed a private placement for aggregate gross proceeds of \$470,000, which consisted of 1,500,000 units at \$0.08 per unit, for gross proceeds of \$120,000 and 3,500,000 flow-through units at \$0.10 per flow-through unit (Note 7), for gross proceeds of \$350,000. 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 \$0.12 for a period of 24 months. Each flow-through unit consists of one flow-through common share and one common share purchase warrant, which is exercisable into one additional common share at an exercise price of \$0.15 for a period of twenty-four months. No value was ascribed to the common share purchase warrants using the residual value method.

The issuance included 532,500 common shares and 1,350,000 flow-through common shares purchased by officers and directors of the Company. The Company incurred share issuance costs of \$7,576 in connection with the financing. The net proceeds from the private placement will be used for exploration and related expenditures.

Warrants

Year ended June 30, 2023:

There were no warrants issued during the year ended June 30, 2023.

Year ended June 30, 2022:

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 June 30, 2023, with a remaining contractual life of 0.41 years and a weighted average 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.

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

	June 30, 2023		June 30, 2022	
	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	-	-	499,600	0.15
Expired	-	-	(212,700)	0.10
Outstanding and exercisable, ending	1,350,000	\$ 0.12	1,350,000	\$ 0.12

The fair value of the 212,700 options that expired unexercised was \$13,671, which was reclassified to

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Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

deficit during the year ended June 30, 2022.

During the year ended June 30, 2023, the Company recognized stock-based compensation of \$nil (2022: \$38,200).

At June 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)
September 18, 2023	425,400	425,400	\$ 0.10	0.22
February 23, 2024	425,000	425,000	\$ 0.11	0.65
December 8, 2026	499,600	499,600	\$ 0.15	3.44

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.

9. 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 year ended June 30, 2023, the Company paid an officer \$18,000 (2022 - \$9,000) for consulting fees. There was \$3,000 owing to related parties as of June 30, 2023 (2022 - \$Nil).

10. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

	June 30, 2023	June 30, 2022
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 8,169	\$ 458,471
Receivables	555	20,325
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 24,675	\$ 941

The fair values of the Company's cash, accounts receivable and accounts payable approximate their carrying amounts due to the short-term nature of these instruments.

Management of financial risks

SHERPA II HOLDINGS CORP.

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For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

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 June 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 June 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 balances and managing its capital and expenditures.

At June 30, 2023, the Company had cash of \$8,169 (June 30, 2022 - \$458,471) and accounts payable and accrued liabilities of \$47,413 (June 30, 2022 - \$25,150) with contractual maturities of less than one year. The Company assessed its liquidity risk as high as at June 30, 2023.

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 June 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 June 30, 2023, the Company is not exposed to foreign currency risk, as it does not have cash, receivables or payables denominated in a foreign currency.

11. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Net loss	\$ (43,058)	\$ (147,568)
Statutory income tax rate	27%	27%
Expected income tax recovery	(11,626)	(39,843)
Permanent differences and other	(18,599)	6,601
Flow-through shares adjustment	38,995	16,521
Change in valuation allowance	(8,770)	16,722
Tax recovery	\$ -	\$ -

The significant components of deferred income tax assets and liabilities are as follows:

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Notes to the Financial Statements

For the years ended June 30, 2023, and 2022

(Expressed in Canadian Dollars)

	June 30, 2023	June 30, 2022
Non-capital loss	\$ 176,603	\$ 143,132
Share issuance costs	1,227	4,474
Exploration and evaluation assets	(94,500)	(55,505)
Valuation allowance	(83,330)	(92,100)
	\$ -	\$ -

The Company has non-capital losses of approximately \$654,085 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire commencing 2038.

12. 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. 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.

13. SUBSEQUENT EVENTS

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 36 months.

On the same day, the Company granted options to acquire a total of 500,000 common shares to various officers and directors of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vested immediately.

On September 20, 2023, 425,400 stock options expired unexercised.

On September 22, 2023, the Company granted options to acquire a total of 425,400 common shares to various officers and directors of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vested immediately.