SHERPA II HOLDINGS CORP.

Condensed Interim Financial Statements

March 31, 2021

Presented in Canadian dollars – Unaudited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note	March 31, 2021 (unaudited)	June 30, 2020
Assets			
Current assets			
Cash		$ 336,799	$ 332,619
Receivables		1,427	-
Prepaid expenses		4,767	5,042
		342,993	337,661
Exploration and evaluation asset	3	178,764	-
Total assets		$ 521,757	$ 337,661
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 17,149	$ 23,955
Flow-through share premium liability	4	39,302	-
Total liabilities		56,451	23,955
Shareholders' equity			
Share capital	5	806,770	466,770
Share-based payment reserve	5	74,271	63,243
Deficit		(415,735)	(216,307)
Total shareholders' equity		465,306	313,706
Total liabilities and shareholders' equity		$ 521,757	$ 337,661

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Thomas O'Neill"

Thomas O'Neill, President

"Robert Scott"

Robert Scott, Director

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

SHERPA II HOLDINGS CORP.

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

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Expenses				
General and administrative	$ 6,629	$ 11,309	$ 27,467	$ 30,167
Transfer agent and filing fees	4,350	-	28,890	-
Professional fees	5,079	371	132,741	14,218
Amortization of flow-through share premium liability	(698)	-	(698)	-
Stock-based compensation (Note 5)	26,332	-	26,332	-
Net and comprehensive loss	$ (41,692)	$ (11,680)	$ (214,732)	$ (44,385)
Weighted average number of common shares outstanding	10,631,000	3,381,000	7,978,627	3,381,000
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.03)	$ (0.01)

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

SHERPA II HOLDINGS CORP.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars – Unaudited)

		Share capital								
	Note	Number		Amount		Share-based payment reserve		Deficit		Total shareholders' equity
Balance, June 30, 2019		6,381,000	$	466,770	$	63,243	$	(140,921)	$	389,092
Net loss		-		-		-		(44,385)		(44,385)
Balance, March 31, 2020		6,381,000	$	466,770	$	63,243	$	(185,306)	$	344,707
Balance, June 30, 2020		6,381,000	$	466,770	$	63,243	$	(216,307)	$	313,706
Expiry of warrants	5	-		-		(15,304)		15,304		-
Common shares issued for cash	4,5	3,250,000		260,000		-		-		260,000
Common shares issued for Bakar Claims	3,5	1,000,000		80,000		-		-		80,000
Stock-based compensation	5	-		-		26,332		-		26,332
Net loss		-		-		-		(214,732)		(214,732)
Balance, March 31, 2021		10,631,000	$	806,770	$	74,271	$	(415,735)	$	465,306

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)

	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Cash provided by (used in):		
Operating activities		
Net loss	$ (214,732)	$ (44,385)
Items not effecting cash:		
Amortization of flow-through share premium liability	(698)	-
Stock-based compensation	26,332	-
Changes in non-cash working capital item:		
Receivables and prepaid expenses	(1,152)	(1,300)
Accounts payable and accrued liabilities	(6,806)	(3,958)
Cash used in operating activities	(197,056)	(49,643)
Investing activities		
Acquisition of Bakar Claims (Note 3)	(50,000)	-
Exploration and evaluation assets (Note 3)	(48,764)	-
Cash used in investing activities	(98,764)	-
Financing activities		
Proceeds from issuance of shares (Note 5)	300,000	-
Cash provided by financing activities	300,000	-
Increase in cash	4,180	(49,643)
Cash, beginning	332,619	389,625
Cash, ending	$ 336,799	$ 339,982
Supplemental cash flow information:		
Non-cash share issuance for Bakar Claims	$ 80,000	$ -
Interest paid	-	-
Taxes paid	-	-

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

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 3). 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".

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these unaudited condensed interim financial statements should be read in conjunction with the Company's June 30, 2020 audited annual financial statements and the notes thereto.

The preparation of the Company's financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, 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 unaudited interim condensed financial statements are based on the IFRS issued and effective as of May 31, 2021, the date these financial statements were authorized for issuance by the Company's Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual financial statements, except for the impact of the changes in accounting policies disclosed below:

Flow-through shares

The value of the flow-through shares is bifurcated into a share component corresponding to the price of a non-flow-through share, and a liability component representing the premium paid. As eligible expenditures are incurred, the deferred premium liability is reversed into profit or loss on a pro-rata basis.

(Expressed in Canadian dollars – Unaudited)

3. EXPLORATION AND EVALUATION ASSET

By agreement dated August 17, 2020, and amended on September 23, 2002, the Company entered into a definitive purchase agreement (the “Bakar Purchase Agreement”) with District Metals Corp. (“District”) to acquire an 80% undivided interest in eight mineral claims (the “Bakar Claims”) located in northwestern Vancouver Island, British Columbia, and a 100% undivided interest in all technical data relating to the Bakar Claims (the “Transaction”). The Transaction closed on December 15, 2020. The Company acquired the Bakar Claims and all technical data for total consideration of:

- $50,000 cash payment
- 1,000,000 common shares of the Company
- $200,000 in work expenditures within six months of closing (the “Required Expenditures”)
- 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 venture with District with respect to their respective joint ownership of the Bakar Claims.

Costs incurred with respect to the property are summarized below:

Acquisition Costs		**Bakar Property**
Balance, June 30, 2020	$	-
Additions		130,000
Balance, March 31, 2021	$	130,000
Deferred Exploration Costs		
Balance, June 30, 2020	$	-
Additions		48,764
Balance, March 31, 2021	$	48,764
Total		
Balance, June 30, 2020	$	-
Balance, March 31, 2021	$	178,764

As at March 31, 2021, the Company had paid the entire $50,000 cash purchase price and issued 1,000,000 common shares with a fair value of $80,000. The Company had incurred $3,487 of the $200,000 in Required Expenditures.

4. FLOW-THROUGH SHARE PREMIUM LIABILITY

On December 15, 2020, concurrent with the closing of the Qualifying Transaction, the Company completed a private placement whereby the Company issued 2,000,000 flow-through common shares for gross proceeds of $200,000. 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.

(Expressed in Canadian dollars – Unaudited)

4. FLOW-THROUGH SHARE PREMIUM LIABILITY (continued)

The total flow-through share premium liability related to the 2,000,000 flow-through shares is $40,000 and represents the Company's obligation to spend $200,000 on eligible expenditures, which the Company is expected to incur within six months of closing. As of March 31, the Company had incurred eligible expenditures of $3,487.

Balance, June 30, 2020	$	-
December 15, 2020 flow-through financing		40,000
Amortization of flow-through premium		(698)
Balance, March 31, 2021	$	39,302

5. SHARE CAPITAL

Common shares

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

Issued

On December 15, 2020, the Company completed a private placement for aggregate gross proceeds of $300,000, which consisted of 1,250,000 common shares at $0.08 per share, for aggregate gross proceeds of $100,000 and 2,000,000 flow-through common shares (Note 4) at $0.10 per share, for aggregate gross proceeds of $200,000 (Note 4). This included 250,000 common shares and 550,000 flow-through shares purchased by officers and directors of the Company. The net proceeds from the private placement will be used for exploration and related expenditures.

On December 18, 2020, following the closing of the Qualifying Transaction, the Company issued 1,000,000 common shares to District Metals Corp. pursuant to the Bakar Purchase Agreement (Note 3).

As at December 31, 2020, the Company had 10,631,000 common shares issued and outstanding (June 30, 2020 – 6,381,000), including 2,700,000 shares held in escrow (June 30, 2020 – 3,000,000). 10% of the common shares were released from escrow on December 15, 2020, on the issuance of the final Exchange bulletin on the closing of the Qualifying Transaction, and an additional 15% will be released every six months following the initial release over a period of thirty-six months.

Warrants

On September 20, 2018, the Company issued 288,100 share purchase warrants at an exercise price of $0.10 per common share. The warrants expired on September 20, 2020 and the fair value was reversed to deficit.

The estimated fair value of the warrants was $15,304 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 100%; an expected life of 2 years; a dividend yield rate of 0%; and a risk-free interest rate of 2.25%.

Stock Options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the Exchange.

(Expressed in Canadian dollars – Unaudited)

5. SHARE CAPITAL (continued)

The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may vest immediately on grant, or over a period as determined by the Board of Directors.

The Black-Scholes-Merton option pricing model inputs for stock options granted during the nine months ended March 31, 2021 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
20-Jan-2021	20-Sept-2023	$0.11	$0.10	0.20%	2.67	55%	0%	$0.03
23-Feb-2021	23-Feb-2024	$0.11	$0.11	0.31%	3	55%	0%	$0.04

The risk-free interest rate is based on the Canadian government bond rate for a similar term as the expected life of the stock options. The annualized volatility is based on the trading history of the Company. The options vested immediately.

Total expenses arising from stock-based compensation recognized during the nine months ended March 31, 2021 was $26,332 (March 31, 2020 - nil), using the Black-Scholes-Merton option pricing model.

A continuity schedule of the Company's outstanding stock options for the nine months ended March 31, 2021 and 2020 is as follows:

	March 31, 2021		March 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	478,575	$ 0.10	638,100	$ 0.10
Granted	684,525	0.11	-	-
Expired	-	-	(159,525)	0.10
Outstanding and exercisable, ending	1,163,100	$ 0.10	478,575	$ 0.10

At March 31, 2021, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (in years)
September 18, 2023	638,100	638,100	$ 0.10	2.47
February 23, 2024	525,000	525,000	$ 0.11	2.90

(Expressed in Canadian dollars – Unaudited)

6. RELATED PARTY TRANSACTIONS

During the nine months ended March 31, 2021, the Company sold 250,000 common shares and 550,000 flow-through shares to officer and directors of the Company, as part of the private placement completed on December 15, 2020.

There were no related party transactions during the nine months ended March 31, 2020.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

		March 31, 2021		June 30, 2020
Financial assets:				
Fair value through profit and loss				
Cash	$	336,799	$	332,619
Receivables		1,427		-
Financial liabilities:				
Other financial liabilities				
Accounts payable	$	-	$	941

The fair values of the Company's cash and cash equivalents and accounts payable and accrued liabilities 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 March 31, 2021, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution in Canada and as at March 31, 2021, management considers its exposure to credit risk to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

7. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

At March 31, 2021, the Company had cash of $336,799 (June 30, 2020 - $332,619) and accounts payable and accrued liabilities of $17,149 (June 30, 2020 - $23,955) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities at March 31, 2021. The Company assessed its liquidity risk as low as at March 31, 2021.

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 March 31, 2021.

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 March 31, 2021, the Company is not exposed to foreign currency risk, as it does not have cash or payables denominated in a foreign currency.

7. CAPITAL MANAGEMENT

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management for the nine months ended March 31, 2021. The Company is not subject to external capital requirements.