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# **Spirit Banner Capital Corp.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2018**

**(Expressed in Canadian Dollars)**

**(UNAUDITED)**

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## **Notice to Reader**

The accompanying unaudited condensed interim financial statements of Spirit Banner Capital Corp. ("the Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2018 have not been reviewed by the Company's auditors.

# Spirit Banner Capital Corp.

Condensed Interim Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

	As at September 30, 2018	As at December 31, 2017
<b>Assets</b>		
Current assets		
Cash	\$ 1,205,713	\$ 415,617
Accounts receivable	8,362	-
<b>Total Current Assets</b>	<b>\$ 1,214,075</b>	<b>\$ 415,617</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 6,508	\$ 64,000
<b>Shareholders' equity</b>		
Common shares (note 3)	1,265,595	426,039
Broker options (note 4)	52,907	-
Contributed surplus (note 5)	21,397	-
Deficit	(132,332)	(74,422)
<b>Total shareholders' equity</b>	<b>1,207,567</b>	<b>351,617</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,214,075</b>	<b>\$ 415,617</b>

Approved by the Board of Directors:

Director: Aneel Waraich \_\_\_\_\_

Director: Gregory Wood \_\_\_\_\_

The notes to the unaudited condensed interim financial statements are an integral part of these statements.

# Spirit Banner Capital Corp.

## Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Period from Date of Incorporation (June 5, 2017) to September 30, 2017
<b>General and administrative expenses</b>			
Professional fees	\$ (1,250)	\$ 14,793	\$ 5,000
Filing fees	375	15,871	5,250
Stock-based compensation	7,132	21,397	-
Bank fees	121	465	193
General and office	7,879	9,379	-
Loss before other income (expenses)	(14,257)	(61,905)	(10,443)
Interest income	3,995	3,995	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (10,262)</b>	<b>\$ (57,910)</b>	<b>\$ (10,443)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>19,030,780</b>	<b>17,126,018</b>	<b>2,210,780</b>

The notes to the unaudited condensed interim financial statements are an integral part of these statements.

# Spirit Banner Capital Corp.

## Condensed Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Broker Options	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance, June 5, 2017	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common shares (note 3)	9,030,780	451,539	-	-	-	451,539
Share issuance costs	-	(20,500)	-	-	-	(20,500)
Net loss for the period	-	-	-	-	(10,443)	(10,443)
Balance, September 30, 2017	9,030,780	\$ 431,039	\$ -	\$ -	\$ (10,443)	\$ 420,596
Balance, December 31, 2017	9,030,780	\$ 426,039	\$ -	\$ -	\$ (74,422)	\$ 351,617
Common shares issue in initial public offering	10,000,000	1,000,000	-	-	-	1,000,000
Transaction costs in the initial public offering	-	(107,537)	-	-	-	(107,537)
Broker options issued	-	(52,907)	52,907	-	-	-
Stock-based compensation (note 5)	-	-	-	21,397	-	21,397
Net loss for the period	-	-	-	-	(57,910)	(57,910)
Balance, September 30, 2018	19,030,780	\$ 1,265,595	\$ 52,907	\$ 21,397	\$ (132,332)	\$ 1,207,567

The notes to the unaudited condensed interim financial statements are an integral part of these statements.

# Spirit Banner Capital Corp

## Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Nine Months Ended September 30, 2018	Period from Date of Incorporation (June 5, 2017) to September 30, 2017
<b>Operating Activities</b>		
Net loss for the period	\$ (57,910)	\$ (10,443)
Adjustments for:		
Stock-based compensation	21,397	-
Changes in non-cash working capital items:		
Accounts receivable	(8,362)	-
Accounts payable and accrued liabilities	(57,492)	5,000
<b>Net cash used in operating activities</b>	<b>(102,367)</b>	<b>(5,443)</b>
<b>Financing activities</b>		
Issuance of common shares, net of fees	-	431,039
Proceeds from initial public offering, net of costs	892,463	-
<b>Net cash provided by financing activities</b>	<b>892,463</b>	<b>431,039</b>
<b>Net change in cash</b>	<b>790,096</b>	<b>425,596</b>
<b>Cash, beginning of period</b>	<b>415,617</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 1,205,713</b>	<b>\$ 425,596</b>

The notes to the unaudited condensed interim financial statements are an integral part of these statements.

# Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements  
September 30, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 1. Incorporation and Nature of Business

Spirit Banner Capital Corp. (the "Corporation") was incorporated under the Business Corporation Act (Alberta) on June 5, 2017 and is classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The registered office of the Corporation is located at 1015-4<sup>th</sup> Street SW, Suite 730, Calgary, Alberta T2R 1J4. The head office of the corporation is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5H 4A6.

On November 29, 2018, the Board of Directors approved the unaudited condensed interim financial statements for the three and nine months ended September 30, 2018.

## 2. Summary of significant accounting policies

### Statement of compliance

These unaudited condensed interim financial statements of the Company have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed and do not include all of the information required for full annual financial statements. The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied in its most recent annual financial statements as at and for the period ended December 31, 2017. Results for the three and nine months ended September 30, 2018 are not necessarily indicative of future results.

### New accounting standard adopted

#### IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9 ("IFRS 9 (2014)") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

## 2. Summary of significant accounting policies (continued)

### New accounting standard adopted (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

## 3. Common Shares

Authorized:

Unlimited number of common shares  
Unlimited number of preferred shares

Issued and fully paid:

	Number of Common Shares	Amount
Balance, June 5, 201	-	\$ -
Issuance of common shares	9,030,780	451,539
Share issuance costs	-	(20,500)
<b>Balance, September 30, 2017</b>	<b>9,030,780</b>	<b>\$ 431,039</b>

# Spirit Banner Capital Corp.

## Notes to Condensed Interim Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

### 3. Common Shares (continued)

Issued and fully paid (continued):

	Number of Common Shares	Amount
Balance, December 31, 2017	9,030,780	\$ 426,039
Common shares issued in initial public offering	10,000,000	1,000,000
Transaction costs in the initial public offering	-	(107,537)
Broker options issued	-	(52,907)
<b>Balance, September 30, 2018</b>	<b>19,030,780</b>	<b>\$ 1,265,595</b>

#### Escrowed Shares

On June 5, 2017, the Corporation issued 2,210,780 common shares at \$0.05 per share for total proceeds of \$110,539.

On September 20, 2017, the Corporation issued 6,820,000 common shares at \$0.05 per share for total proceeds of \$341,000.

The issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange. 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

#### Initial Public Offering

The Corporation filed its prospectus and raised \$1,000,000 by an initial public offer of 10,000,000 common shares and began trading on the Exchange.

Pursuant to an agency agreement, the Agent received 10% of the gross proceeds of the offering as well as compensation options ("Broker Options") to acquire up to 10% of the number of offered shares sold under the offering at a price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the Corporation's common shares on the Exchange. The Company incurred a total transaction costs of \$107,537 in relation to the initial public offering.

The fair value of the Broker Options was estimated to be \$52,907 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 100%; risk-free interest rate of 1.79%; and expected life of 2 years.

# Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

## 4. Broker Options

The following table reflects the continuity of broker options for the nine months ended September 30, 2018:

	Number of Broker Options	Weighted Average Exercise Price
<b>Balance, June 5, 2017, September 30, 2017 and December 31, 2017</b>	-	\$ -
Issued	1,000,000	0.10
<b>Balance, September 30, 2018</b>	<b>1,000,000</b>	<b>\$ 0.10</b>

The following table reflects broker options issued and outstanding as at September 30, 2018:

Expiry Date	Exercise Price (\$)	Fair Value (\$)	Number of Broker Options Outstanding
February 21, 2020	0.10	52,907	1,000,000

## 5. Stock options

The following table reflects the continuity of stock options for the periods ended September 30, 2018:

A summary of the stock options activity during the periods is presented below:

	Number of stock options outstanding	Weighted average exercise price
<b>Balance, June 5, 2017, September 30, 2017 and December 31, 2017</b>	-	\$ -
Granted	1,903,078	0.10
<b>Balance, September 30, 2018</b>	<b>1,903,078</b>	<b>\$ 0.10</b>

On February 21, 2018, the Company granted 1,903,078 stock options to directors and officers of the Company, with each option exercisable for purchase of one common share at an exercise price of \$0.10 per share. The expiry date of these stock options is February 21, 2023. The vesting term of these options was not determined by directors as at September 30, 2018 and none of these options vested as at September 30, 2018. During the three and nine months ended September 30, 2018, stock-based compensations of \$7,132 and \$21,397, respectively, were recorded in the unaudited condensed interim financial statements.

The following table reflects the actual stock options issued and outstanding as at September 30, 2018:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
February 21, 2023	0.10	4.40	1,903,078	-	\$ 142,649

# Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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## 6. Related party transactions and balances

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

During the three and nine months ended September 30, 2018, stock-based compensation for stock options of \$7,132 and \$21,397, respectively, were granted to officers and directors (see note 5). There was no other remuneration paid to key management personnel during the period.