

Spirit Banner Capital Corp.
(A Capital Pool Corporation)

Financial Statements

(in Canadian Dollars)

**For the period from the
Date of Incorporation (June 5, 2017) to December 31, 2017**

Independent Auditors' Report

To the Shareholders of Spirit Banner Capital Corp:

We have audited the accompanying financial statements of Spirit Banner Capital Corp. which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows from the date of incorporation (June 5, 2017) to December 31, 2017 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of Spirit Banner Capital Corp. as at December 31, 2017 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

MNP LLP

April 23, 2018
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP
LLP

Spirit Banner Capital Corp.

Statement of Comprehensive Income (Loss)

(in Canadian
Dollars)

For the period from the Date of Incorporation (June 5, 2017) to December 31, 2017

General and administrative expenses

Professional fees	\$	64,250
Filing fees		9,809
Bank fees		363
Total expenses		74,422

Net income and comprehensive income (loss)	\$	(74,422)
--	----	----------

Net loss per share	\$	-
-----------------------	----	---

Weighted average number of units outstanding		-
--	--	---

The accompanying notes are an integral part of these financial statements

Spirit Banner Capital Corp.

Statement of Changes in Shareholders' Equity

(in Canadian Dollars)

For the Period from the Date of Incorporation (June 5, 2017) to December 31, 2017

	Number of shares	Share capital	Accumulated deficit	Total
Balance at June 5, 2017	-	\$ -	\$ -	\$ -
Issuance of common shares (Note 3)	9,030,780	451,539	-	451,539
Share issuance costs		(25,500)	-	(25,500)
Net loss		-	(74,422)	(74,422)
Balance, December 31, 2017	9,030,780	\$ 426,039	\$ (74,422)	\$ 351,617

The accompanying notes are an integral part of these financial statements

Spirit Banner Capital Corp.

Statement of Cash Flows

(in Canadian Dollars)

For the Period from the Date of Incorporation (June 5, 2017) to December 31, 2017

Cash provided by/ (used in)

Operating activities

Net loss	\$	(74,422)
----------	----	----------

Accrued liabilities		64,000
---------------------	--	--------

Financing Activities

Issuance of common shares, net of fees		431,039
--	--	---------

Net change in cash		415,617
--------------------	--	---------

Cash beginning of year		-
------------------------	--	---

Cash end of year	\$	415,617
------------------	----	---------

The accompanying notes are an integral part of these financial statements

Spirit Banner Capital Corp.

Notes to Financial Statements

(a Capital Pool Corporation)

(in Canadian Dollars)

For the Period from the date of incorporation to December 31, 2017

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 has applied to be 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 1015-4th 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 April 23, 2018, the Board of Directors approved the financial statements for the period from Date of Incorporation (June 5, 2017) to December 31, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Loss Per Share

Basic earnings loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares in escrow. Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. 9,030,780 common shares were excluded from the calculation as they were contingently issuable and all conditions necessary for their issuance have not been satisfied (note 3).

Spirit Banner Capital Corp.

Notes to Financial Statements
(a Capital Pool Corporation)
(in Canadian Dollars)
For the Period from the date of incorporation to December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Corporation has classified its financial instruments as follows:

<i>Financial Instrument</i>	<i>Classification</i>
Cash	FVTPL
Accrued liabilities	Other liabilities

The Corporation's financial instruments measured at fair value on the statements of financial position consist of cash. Cash is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Share Issuance Costs

Share issuance costs relate to expenditures incurred in connection with the Corporation's share issuance (note 3) and are charged against share capital.

Spirit Banner Capital Corp.

Notes to Financial Statements
(a Capital Pool Corporation)
(in Canadian Dollars)
For the Period from the date of incorporation to December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

Accounting Standards Issued but not yet Applied

Certain new mandatory standards, interpretations and amendments to existing standards, have been issued by the IASB or the IFRS Interpretations Committee ("IFRIC"), which the Company reasonably expects to be applicable for later periods are listed below. The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company anticipates that this standard will be adopted in the Company's financial statements for the year beginning January 1, 2018, and believes it will not have a significant impact on the financial statements.

Spirit Banner Capital Corp.

Notes to Financial Statements
(a Capital Pool Corporation)
(in Canadian Dollars)
For the Period from the date of incorporation to December 31, 2017

3. SHARE CAPITAL

Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

Issued and fully paid:

	Number of Shares		Amount
Issuance of common shares	9,030,780	\$	451,539
Share issuance costs			(25,500)
Balance, December 31, 2017	9,030,780	\$	426,039

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.

3. CONTINGENCY

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

Spirit Banner Capital Corp.

Notes to Financial Statements
(a Capital Pool Corporation)
(in Canadian Dollars)
For the Period from the date of incorporation to December 31, 2017

4. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk disclosures and fair values

The Corporation's financial instruments, consisting of cash and accrued liabilities approximate fair value due to the relatively short term maturities of the instrument. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

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.

There was no remuneration paid to key management personnel during the period ended December 31, 2017.

Spirit Banner Capital Corp.

Notes to Financial Statements
(a Capital Pool Corporation)
(in Canadian Dollars)
For the Period from the date of incorporation to December 31, 2017

6. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

		2017
Net loss for the period	\$	74,422
Expected income tax recovery		(19,722)
Share issuance costs		(6,758)
Deferred tax assets not recognized		26,480
Income taxes recovery	\$	-

At December 31, 2018, the Corporation has non – capital losses for income tax purposes of approximately \$77,342 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income until 2037.

The Corporation has not recorded deferred tax assets related to these unused carry forward losses as it is not probable that future taxable profits will be available against which these can be deducted.

7. SUBSEQUENT EVENT

(a) Filing of prospectus:

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 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 \$77,578 for other legal and filing costs on closing.

In addition, the Corporation granted, stock options to the directors and officers to purchase, in aggregate 1,903,078 common shares, at a Price of \$0.10 per common shares, exercisable for a period of five years from the date of the grant.