

Spirit Banner Capital Corp.

**CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE THREE AND NINE
MONTHS ENDED SEPTEMBER 30, 2019**

(Expressed in Canadian Dollars)

(UNAUDITED)

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, 2019 have not been reviewed by the Company's auditors.

Spirit Banner Capital Corp.

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

| | Notes | As at September 30, 2019 | As at December 31, 2018 |
|---|-------|-----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 1,079,824 | 1,188,765 |
| Accounts receivable | | 3,955 | 3,995 |
| Total Current Assets | | 1,083,779 | 1,192,760 |
| Property, plant and equipment | 7 | 3,450 | 4,084 |
| Total Assets | | 1,087,229 | 1,196,844 |
| Liabilities and shareholders' equity | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | | - | 11,963 |
| Total Liabilities | | - | 11,963 |
| Shareholders' equity | | | |
| Share Capital, net of issuance costs | 3 | 1,265,595 | 1,265,595 |
| Contributed surplus | 4 | 195,556 | 195,556 |
| Retained earnings (accumulated deficit) | | (373,922) | (276,270) |
| Total shareholders' equity | | 1,087,229 | 1,184,881 |
| Total liabilities and shareholders' equity | | 1,087,229 | 1,196,844 |

Approved by the Board of Directors:

Director: Aneel Waraich

Director: Peter Bures

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)

| | Notes | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|-------|--|--|---|---|
| General and administrative expenses | | | | | |
| Due Diligence cost | | 14,094 | - | 35,412 | - |
| Professional fees | | 10,509 | (1,250) | 23,916 | 14,793 |
| Filing fees | 4 | 1,312 | 375 | 13,833 | 15,871 |
| Stock based compensation | | - | 7,132 | - | 21,397 |
| Bank fees | | 35 | 121 | 168 | 465 |
| General and office | | 22,788 | 7,879 | 33,902 | 9,379 |
| Loss before other income (expenses) | | (48,737) | (14,257) | (107,231) | (61,905) |
| Interest income | 6 | 4,450 | - | 9,579 | - |
| Net loss and comprehensive loss for the period | | (44,287) | (14,257) | (97,652) | (61,905) |
| Basic and diluted net loss per share | | nil | nil | nil | nil |
| Weighted average number of common shares outstanding | | 19,030,780 | 19,030,780 | 19,030,780 | 17,126,018 |

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Spirit Banner Capital Corp.

Condensed Interim Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)
(Unaudited)

| | Note | Common Shares Number | Common Shares Amount | Broker Options | Contributed Surplus | Deficit | Total |
|--|------|-------------------------|-------------------------|-------------------|------------------------|------------------|------------------|
| Balance, December 31, 2017 | | 9,030,780 | 426,039 | - | - | (74,422) | 351,617 |
| Common shares issue in initial public offering | 3 | 10,000,000 | 1,000,000 | - | - | - | 1,000,000 |
| Transaction costs in the initial public offering | 3 | - | (107,537) | - | - | - | (107,537) |
| Broker options issued | 4 | - | (52,907) | 52,907 | - | - | - |
| Stock-based compensation | 4 | - | - | - | 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 |
| Balance, December 31, 2018 | | 19,030,780 | 1,265,595 | 52,907 | 142,649 | (276,270) | 1,184,881 |
| Net loss for the period | | - | - | - | - | (97,652) | (97,652) |
| Balance, September 30, 2019 | | 19,030,780 | 1,265,595 | 52,907 | 142,649 | (373,922) | 1,087,229 |

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, 2019 | Nine Months Ended September 30, 2018 |
|---|--|--|
| Operating Activities | | |
| Net loss for the period | (97,652) | (57,910) |
| Adjustments for: | | |
| Depreciation | 634 | - |
| Stock-based compensation | - | 21,397 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 40 | (8,362) |
| Accounts payable and accrued liabilities | (11,963) | (57,492) |
| Net cash used in operating activities | (108,941) | (102,367) |
| Financing activities | | |
| Proceeds from initial public offering, net of costs | - | 892,463 |
| Net cash provided by financing activities | - | 892,463 |
| Net change in cash | (108,941) | 790,096 |
| Cash, beginning of period | 1,188,765 | 415,617 |
| Cash, end of period | 1,079,824 | 1,205,713 |

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, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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 1015-4th 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 November 29, 2019 the Board of Directors approved the unaudited condensed interim financial statements for the nine months ended September 30, 2019.

2. 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, 2018. Results for the three and nine months ended September 30, 2019 are not necessarily indicative of future results.

Use of Estimates and Judgments

The preparation of these unaudited condensed interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Basis of Presentation

The unaudited condensed interim financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The unaudited condensed interim 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 unaudited condensed interim financial statements.

Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements
September 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Standards issued

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 corporation adopted this standard on January 1, 2018, which had no impact on the financial statements.

Certain new standards, amendments, and interpretations to existing standards have been published by the IASB and the Corporation has adopted IFRS 16 – Leases starting from January 1, 2019:

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

The Corporation has adopted IFRS 16 starting from January 1, 2019.

The Corporation leases its head office building. The Corporation’s current office lease agreement is up to December 31, 2019. The Corporation elected not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets.

3. COMMON SHARES

Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

Issued and fully paid:

| | Number of Common Shares | Amount |
|---|----------------------------|---------------------|
| Balance, December 31, 2017 (i) | 9,030,780 | 426,039 |
| Common shares issue in initial public offering (ii) | 10,000,000 | 1,000,000 |
| Transaction costs in the initial public offering | | (107,537) |
| Broker options issued | | (52,907) |
| Balance, September 30, 2018 | 19,030,780 | 1,265,595 |
| Balance, December 31, 2018 | 19,030,780 | 1,265,595 |
| Balance, September 30, 2019 | 19,030,780 | \$ 1,265,595 |

Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

3. COMMON SHARES (continued)

Escrowed Shares

(i) During the period ended December 31, 2017, the corporation issued 9,030,780 common shares at \$0.05 per share for total proceeds of \$451,539. The corporation incurred share issuance costs of \$25,500 related to this issuance. The issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange.

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. As a result, the escrow shares have not been contemplated in the weighted-average shares outstanding calculation.

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 subject to escrow.

Initial Public Offering

(ii) On February 21, 2018, the Corporation completed its Initial Public Offering ("IPO") of 10,000,000 common shares at \$0.10 per share (\$1,000,000). The Corporation entered into an agreement with PI Financial Corp. (the "Agent") to raise \$1,000,000 in connection with the Corporation's IPO. The Corporation paid a commission of 10% of gross proceeds to the Agent and granted the Agent an option to acquire 10% of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Corporation's Common Shares are listed on the TSX Venture Exchange, exercisable at \$0.10 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. The Corporation incurred cash issuance costs related to the IPO of \$107,537.

4. OPTIONS

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be exercised for a maximum term of ten years from the date of the grant. They are non-transferable and expire the greater of 90 days of termination of employment or holding office as director or officer of the Corporation and 12 months after the completion of the Qualifying Transaction and, in the case of death, expire one year thereafter.

Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options:

| | Number of Stock Options and Agent Options | Weighted Average Exercise Price (\$) |
|---|--|---|
| January 1, 2018 | - | |
| Issuance of options to the Agent(i) | 1,000,000 | \$0.10 |
| Issuance of options to officers and directors (ii) | 1,903,078 | \$0.10 |
| Balance, December 31, 2018 | 2,903,078 | \$0.10 |
| Balance, September 30, 2019 | 2,903,078 | \$0.10 |

Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. OPTIONS (continued)

- i. On February 21, 2018, the Corporation granted 1,000,000 options to the Agent, which are exercisable within two years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.84%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$52,907.
- ii. On February 21, 2018, the Corporation granted 1,903,078 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.14%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$142,649.

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

| Expiry Date | Exercise Price | Weighted Average Remaining Contractual Life (years) | Number of Options Outstanding | Number of Options Vested (Exercisable) |
|-------------------|----------------|---|-------------------------------|--|
| February 21, 2020 | \$0.10 | 0.65 | 1,000,000 | 1,000,000 |
| February 21, 2023 | \$0.10 | 3.65 | 1,903,078 | 1,903,078 |
| | \$0.10 | 3.11 | 2,903,078 | 2,903,078 |

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.

The Company pays ATMACORP Ltd. office rent, Aneel Waraich is a director of this Company. Total amount incurred for the nine months ended September 30, 2019 is \$17,515. This is reflected in general & administrative expenses.

During the three and nine months ended September 30, 2019, stock-based compensation for stock options of \$nil and \$nil respectively (three and nine months ended September 30, 2018: \$7,132 and \$21,397 respectively) were granted to officers and directors. There was no other remuneration paid to key management personnel during the period.

6. GUARANTEED INVESTMENT CERTIFICATE

During the year ended December 31, 2018, the Corporation purchased a \$1,000,000 Guaranteed Investment Certificate which matured on January 15, 2019. During the three and nine months ended September 30, 2019 total of \$9,579 in interest income have been recognized in the condensed interim statements of loss and comprehensive loss.

Spirit Banner Capital Corp.

Notes to Condensed Interim Financial Statements
September 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

7. PROPERTY, PLANT, AND EQUIPMENT

| Cost | Equipment |
|----------------------------------|------------------|
| Balance as at January 1, 2019 | \$ 4,224 |
| Balance as at September 30, 2019 | <u>\$ 4,224</u> |
| Accumulated Amortization | |
| Balance as at January 1, 2019 | \$ 140 |
| Depreciation during period | \$ 634 |
| Balance as at September 30, 2019 | <u>\$ 774</u> |
| Net Book Value | |
| Balance as at September 30, 2019 | <u>\$ 3,450</u> |

8. SUBSEQUENT EVENT

On November 18th Spirit Banner Capital Corp announced that Ion Energy Ltd. intends to complete a non-brokered private placement concurrent to the announced business combination transaction with Spirit Banner and Ion Energy, previously disclosed in the Company's press releases of March 4, 2019 and August 20, 2019. The Proposed Transaction will, if completed, constitute Spirit Banner's "Qualifying Transaction" as such term is defined in Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange (the "TSXV").

On November 18, 2019, Spirit Banner Capital Corp and Ion Energy entered into an agreement whereby the Corporation will advance \$225,000 to Ion Energy as a refundable deposit for the proposed Qualifying Transaction, as contemplated by Section 8.5(a) of TSXV Policy 2.4. The Advance of Funds does not bear interest and is due and payable on the earlier of (a) January 31, 2020; or (b) if the Qualifying Transaction does not complete, on the date 10 days after the termination of the Qualifying Transaction. The Advance of Funds is subject to TSXV approval and the requirements of section 8.5 of Policy 2.4 of the TSXV.

Additional information is available publicly on Sedar.