

Ion Energy Limited

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2020 AND 2019**

(Expressed in Canadian Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Ion Energy Limited ("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 six months ended June 30, 2020 have not been reviewed by the Company's auditors.

Ion Energy Limited

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

	Notes	As at June 30, 2020	As at December 31, 2019
Assets			
Current assets			
Cash		53,322	120,947
Prepaid expenses and deposits		9,248	-
Due from related party		4,422	4,422
Total Current Assets		66,992	125,369
Property, plant and equipment			
Property, plant and equipment	4	34,876	34,457
Investment – Star Royalty	5	-	187,500
Baavhai-Uul Project – Exploration License	6	948,225	933,223
Total Non-Current Assets		983,101	1,155,180
Total Assets		1,050,093	1,280,549
Liabilities and shareholders' equity			
Liabilities			
Accounts payable and accrued liabilities			
Accounts payable and accrued liabilities		145,107	148,318
Due to related party	9	130,757	129,186
Loan liability	9	225,000	225,000
Other liabilities	6	613,260	584,460
Total Current Liabilities		1,114,124	1,086,964
Total Liabilities		1,114,124	1,086,964
Shareholders' equity			
Share Capital, net of issuance costs	7	3,100,626	3,100,626
Contributed surplus		5,121	(8,788)
Retained earnings (accumulated deficit)		(3,159,535)	(2,898,253)
Total shareholders' equity		(64,031)	193,585
Total liabilities and shareholders' equity		1,050,093	1,280,549

Approved by the Board of Directors:

Director: Ali Haji

Director: Matthew Wood

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

Ion Energy Limited

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

		Three Months Ended June 30, 2020	Three Months Ended June 30, 2020	Six Months Ended June 30 2020	Six Months Ended June 30 2020
	Notes				
Other income					
Interest income		10	93	58	93
General and administrative expenses					
Professional fees		(74,548)	(326,204)	(169,882)	(552,125)
Due Diligence costs		-	-	-	-
Travel Accommodation		(9,728)	(4,488)	(19,357)	(13,480)
General and office		(25,811)	(35,763)	(41,713)	(43,760)
Foreign exchange gain or (loss)		24,187	1,103	(30,389)	1,102
Net loss for the period	8	(85,888)	(365,445)	(261,283)	(608,169)
Cumulative translation adjustment		(8,874)	10,301	3,667	11,445
Net loss and comprehensive loss for the period		(94,762)	(355,144)	(257,616)	(596,724)
Basic and diluted net loss per share	8	Nil	Nil	Nil	Nil
Weighted average number of common outstanding	8	86,946,986	85,197,690	86,946,986	83,900,974

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

Ion Energy Limited

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Number	Common Shares Amount	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2018		82,464,320	\$ 1,415,900	961	(1,245,779)	171,082
Common shares issue		2,000,000	200,000	-	-	200,000
Common shares to be issued		1,360,490	136,049	-	-	136,049
Cumulated translation adjustment		-	-	(11,445)	-	(11,445)
Net loss for the period		-	-	-	(608,169)	(608,169)
Balance, June 30, 2019		85,824,810	1,751,949	(10,484)	(1,853,948)	(112,482)
Balance, December 31, 2019		99,484,820	\$3,100,626	\$(8,788)	\$(2,898,252)	193,585
Cumulated translation adjustment		-	-	3,667	-	3,667
Net loss for the period		-	-	-	(261,283)	(261,283)
Balance, June 30, 2020		99,484,820	3,100,626	(5,121)	(3,159,535)	(64,030)

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

Ion Energy Limited

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating Activities		
Net loss for the period	(261,283)	(608,169)
Adjustments for:		
Foreign exchange gain or loss	30,474	(11,445)
Changes in non-cash working capital items:		
Accounts receivable	(9,248)	128,312
Accounts payable and accrued liabilities	(3,211)	576,483
Net cash used in operating activities	(243,268)	84,181
Investing activities		
Disposal of investment in Star Royalty	187,500	-
Purchase of equipment	-	(29,453)
Purchase of Exploration license	(11,878)	(2,515,468)
Net cash used in investing activities	175,622	(2,544,921)
Financing activities		
Purchase Price Payable Exploration License	-	2,251,112
Proceeds from Common Stock issued	-	200,000
Proceeds from Common Stock to be issued	-	136,048
Net cash provided by financing activities	-	2,587,161
Effect of foreign exchange	21	-
Net change in cash	(67,625)	127,421
Cash, beginning of period	120,947	9,936
Cash, end of period	53,322	137,357

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

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Incorporation and Nature of Business

Ion Energy Limited ("Company", "Corporation", "ION") is a private company incorporated under the Business Corporations Act (Ontario) on August 3, 2017 and has been engaged in the business of seeking and identifying lithium assets in Asia since incorporation. The Company is the owner of a lithium exploration license to explore an area approximately 81,758 hectares in size containing lithium brine targets (the "Baavhai-Uul Project" or the "Property"). The registered office of the Company is located at 90 Adelaide St. West, Suite 400, Toronto, ON, M5H 3V9.

On February 27, 2019, the Company signed a binding letter of intent ("LOI") with Sprit Banner Capital Corp. ("Spirit Banner") in which Spirit Banner acquired all if the issued and outstanding common shares of the Company in a three-cornered amalgamation (the "Transaction"). The transaction constitutes the "Qualifying Transaction" as such terms is defined in the TSX Venture Exchange Policy 2.4 – Capital Pool Companies. On August 26, 2020, the Company completed its Qualifying transaction and Spirit Banner has changed its name to Ion Energy Ltd.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

Management is actively targeting sources of additional financing through alliances with financial entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. On August 26, 2020, the Company completed the previously announced non-brokered concurrent financing which consisted of the issuance of 9,063,329 subscription receipts offered at \$0.30 per Subscription Receipt, for gross proceeds of \$2,718,999.

2. Basis of Presentation

(a) Statement of compliance

The Company applies international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements.

These financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on September 15, 2020.

(b) Basis of presentation and statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost method except for share-based transactions and certain financial instruments which are measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency. The functional currency of Ion Energy LLC is the Mongolian tugrik.

(d) Consolidation

The consolidated financial statements include the accounts of the Ion Energy Ltd. and Ion Energy LLC (hereafter referred to as the "Corporation"). Ion Energy LLC is a wholly owned subsidiary of Ion Energy Ltd. The Corporation has consolidated the assets, liabilities and expenses of its subsidiary after the elimination of inter-company transactions and balances. The subsidiary's principal business is the acquisition and development of mineral properties.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of Presentation (continued)

(e) Use of judgments and estimates

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to fair values of financial instruments, recoverability of assets and income taxes. Actual results may differ from these estimates.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations (disclosed below), that management has made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Determining cash generating units ("CGUs")

For the purpose of assessing impairment of exploration and evaluation expenditures and equipment, assets are grouped at the lowest level of separately identified cash flows which make up the CGU. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU's carrying value is compared to the greater of its fair value less costs to sell and value in use.

Property

Although the Corporation takes steps to verify title exploration and evaluation assets in which it has an interest, however, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Fair Value of investment

The fair value of investment is measured based on the value to sell the asset to market participants at the measurement date under current market conditions.

Functional Currency

The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

Taxes

The Corporation applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to interpretations of complex tax regulations, changes in tax laws, and the amounts and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded.

Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the period.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of Presentation (continued)

Estimates

Deferred Taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Corporation operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Corporation is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

3. Significant accounting policies

(a) Cash

Cash is comprised of cash on hand and deposits held with banks that are readily convertible into known amounts of cash.

(b) Exploration and evaluation and pre-development expenditure

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Corporation has obtained legal rights to explore an area are recognized in net loss. Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

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

Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

(c) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset.

Management reviews the estimated useful lives, residual values and depreciation and depletion methods of the Company's plant and equipment at the end of each financial year, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

(d) Associate and Equity accounting

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

(d) Associate and Equity accounting (continued)

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment.

(e) Fair value of financial instruments

The Corporation has classified its financial instrument fair values based on the required three level hierarchy:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;

Level 2: Valuations based on observable inputs other than quoted active market prices; and,

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(f) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax, risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on associated assets.

(g) Share capital

Proceeds from the issuance of common shares are classified as equity on the consolidated statement of financial position. Incremental costs directly attributable to the issuance of shares are recognized as a deduction, net of any tax effects.

(h) Loss per share

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Basic and diluted loss per share for each year presented are the same due to the potential issuances of shares under warrant or share option agreements being, in total, anti-dilutive.

(i) Foreign operations

For entities whose functional currency is the Canadian dollar, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in the year in which they arise.

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive income ("OCI").

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

(j) Taxes

Taxes are comprised of current and deferred taxes. Tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (loss) or elsewhere in shareholders' equity, in which case the related tax expense or recovery is also recognized directly in other comprehensive income (loss) or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax expense and related liability is recognized with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

(k) Common control transactions

Transactions between entities that are subject to common control require that the assets be transferred at their carrying value. Any difference between the proceeds received and the carrying amount of the assets transferred is recognized in contributed surplus.

(l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Adoption of new accounting pronouncements

In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. 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. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize Right-of-use (RoU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. RoU assets are initially recognized on a present value basis and subsequently, at cost less depreciation. Lease liabilities are initially recognized on a present value basis and subsequently, at amortized cost. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The Corporation's date of initial application was January 1, 2019.

The Corporation adopted IFRS 16 using the modified retrospective transition approach. Accordingly, comparative figures at and for the years ended December 31, 2019 and six months ended June 30, 2020 have not been restated and continue to be reported under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

2. Excluded initial direct costs from measuring the RoU assets at the date of initial application.
3. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
4. Elected not to reassess whether a contract is, or contains, a lease at the date of initial application.
5. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Corporation has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

(n) *Adoption of new accounting pronouncements (continued)*

The Corporation leases its head office building. The Corporation's current office lease is up to December 31, 2020 with monthly rental amount of \$3,766.86. The Corporation has elected not to recognize a right of use asset and lease liability in relation to this lease agreement due to the short-term nature.

(o) *IFRIC 23 – Uncertainty over Income Tax Treatments ("IRFIC 23")*

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 became effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. The Corporation has adopted this interpretation as of its effective date and has assessed no significant impact as a result of the adoption of this interpretation.

4. Property Plant and Equipment – Auger Drill

During the year ended December 31, 2019, the Corporation purchased a truck mounted auger drill for the exploration program totaling \$34,457. Currently, the auger drill is stored in a secure warehouse pending deployment. Therefore, the Corporation has elected not to depreciate the asset at this time until the initiation of the exploration program.

5. Royalty Agreement

On August 8, 2019, the Corporation entered into a Royalty Agreement with an Star Royalties Ltd. which is related through common directorship. Management of the Company has concluded that the Company has significant influence over Star Royalties as it owns <20% shares of Star Royalties, therefore, needs to account the investment using equity method accounting.

The value of the royalty as at September 30, 2019 was \$562,500 which was paid via Star royalty share issuance for 7,500,000 shares at \$0.075 per share. The Fair value of the investment was calculated using the price determined in November where Star Royalties issued shares at \$0.075 to other parties.

This reduced the future economic value of the Baavhai-Uul Project – Exploration License, therefore \$562,500 was deducted from the asset.

On February 24, 2020, the Company sold back Star Royalties' shares for \$187,500. Upon this event, the management assessed the impairment on investment, and it has recognised \$348,138 impairment loss as at December 31, 2019 and there was no loss recognised during six months ended June 30, 2020.

6. Baavhai-Uul Project – Exploration License

Ion Energy is the owner of a lithium exploration license to explore an area approximately 81,758 hectares in size containing lithium brine targets (the "Baavhai-Uul Project" or the "Property"). Project. Ion Energy Limited. has signed a binding contract on February 15, 2019 with Golden Hill LLC. The terms of the agreement are summarized as below:

The original purchase price payable by Ion Parent to the Golden Hill LLC for Licenses shall be aggregate amount of US\$1,200,000 and 5,000,000 common shares in the capital stock of Ion Parent.

Ion Parent initially had to pay the Purchase price less applicable taxes to the Seller on the following dates:

(i) On the Closing date, US\$500,000 in cash and 5,000,000 common shares upon the Seller transferring the Licenses to Ion Energy LLC

(ii) On the completing of a technical report prepared in accordance with National Instrument 43-101, US\$200,000 in cash.

(iii) On completion of the initial exploration programmes as recommended by the Technical Report, including for greater certainty: geological, geophysical studies and soil sampling results, US\$300,000 in cash. On completion of an initial exploration drilling programme of over 2,000 meters recommended by the Technical report, US\$200,000 in cash.

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(Expressed in Canadian Dollars)

(Unaudited)

6. Baavhai-Uul Project – Exploration License (continued)

The agreement was amended on August 15, 2019 for a revised purchase price payable by Ion Parent to Golden Hill LLC for the Licenses shall be an aggregate amount of US\$1,000,000 and 8,000,000 common shares in the capital stock of Ion Energy.

Ion Energy shall pay the Purchase Price less applicable taxes to the Seller on the following dates:

- (i) On the date of amendment of the agreement US\$100,000 in cash and 8,000,000 Common Shares.
- (ii) On completion of Ion Parent completing a going public transaction and listing of the Common Shares on a recognized Canadian stock exchange, US\$400,000 in cash.
- (iii) On completion of an initial exploration programme as recommended by a technical report prepared in accordance with National Instrument 43-101 prepared for the Baavkhai Uul project located in Sukhbaatar province, US\$200,000 in cash.
- (iv) On completion of a feasibility study as such term shall be defined in the Technical Report, US\$200,000 in cash.
- (v) On the issuance of a mining license for the Baavkhai Uul project located in Sukhbaatar province, US\$100,000 in cash.

As at June 30, 2020, schedule payment (i) has been paid to Golden Hill and schedule payment (ii) above has been accrued as loans payable to Golden Hill LLC with a debit entry to the Baavhai-Uul Project – Exploration License asset, and the remaining terms will be reflected in the financial positions of the Company once it is probable the conditions for payment will be met.

7. Share Capital

a) Authorized:

Unlimited number of common voting shares, Class A non-voting shares (“Class A”) without nominal or par value. The Class A shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No Class A shares have been issued since the Corporation’s inception.

b) Issued Common Shares

Issued share capital is as follows:

	#	\$
Balance, December 31, 2017	60,064,320	300,322
Balance, December 31, 2018	60,064,320	300,322
Share issuance for debt (i)	27,400,000	1,620,000
Share issuance for acquiring asset (ii)	8,000,000	800,000
Share issuance private placement (iii)	4,020,500	396,048
Share issuance cost	-	(15,744)
Balance, December 31, 2019	99,484,820	3,100,626
Balance, June 30, 2020	99,484,820	3,100,626

- (i) During the year ended December 31, 2019, the Company issued 22,400,000 shares to settle debt incurred in 2017 and 2018 at a value of \$0.05. On September 10, 2019, the Company issued 5,000,000 shares to its directors and consultants to settle debt at a value of \$0.10.
- (ii) On August 20, 2019, the Company issued 8,000,000 shares to Golden Hill in relation to acquiring exploration license at value of \$0.10 per share (Note 6).
- (iii) On September 1, 2019, the Company has closed its private placement financing announced earlier by issuing 4,020,500 shares for cash at a value of \$0.10.

8. Net loss per common share

The calculation of basic and diluted loss per share for the six months ended June 30, 2020 was based on the net loss attributable to shareholders of \$261,282 (six months ended June 30, 2019 - loss of \$457,196) and the weighted average number of common shares outstanding of 86,946,986 (six months ended June 30, 2019 – 85,321,463).

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

9. Related Party Transactions

As at six months ended June 30, 2020 and year ended December 31, 2019 there were an outstanding payable amount of \$137,014 and \$129,186 respectively to Bataa Tumur-Ochir (director). The loan is due on demand and is non-interest bearing.

During the six months ended June 30, 2020 (year ended December 31, 2019 issued 27,400,000 common shares to settle total of \$1,620,000) the Corporation issued Nil shares to key management personnel totalling Nil debt for service rendered.

The Company has a subscription receivable of \$4,422 outstanding from a director of the Company as at six months ended June 30, 2020 and year ended December 31, 2019.

On August 8, 2019 the Corporation entered into a Royalty Agreement with an entity which is related through common directorship. The value of the royalty was \$562,500 which was paid via Star royalty share issuance for 7,500,000 shares. The transaction was recorded as investment in associate on the statement of financial position and as a reduction to the Baavhai-Uul Project – Exploration License, representing the sale of interest in the mineral rights. See note 5.

On November 18, 2019, Spirit Banner and Ion Energy entered into the QT Loan Agreement amended as of February 26, 2020, and March 27, 2020 whereby Spirit Banner agreed to advance \$225,000 to Ion Energy as a refundable deposit for the proposed Transaction, as contemplated by Section 8.5(a) of TSXV Policy 2.4 – Capital Pool Companies. The QT Loan Agreement does not bear interest and is due and payable on the earlier of (a) August 31, 2020; or (b) if the Transaction is not completed, on the date 10 days after the termination of the Transaction. Advance is accounted under Non-current liability as at six months ended June 30, 2020 and year ended December 31, 2019.

There were no other related party transactions occurred during the six months ended June 30, 2020 and 2019.

10. Capital Risk Management

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, such that it can provide returns for shareholders and benefits for other stakeholders.

11. Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balance.

Cash is held with a Canadian chartered bank and a financial institution in Mongolia, from which management believes the risk of loss to be minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding. See note 1 for going concern discussion. The Company's cash is currently invested in business accounts with high-credit quality financial institutions which are available on demand by the Company. The Company's financial obligations consist of accounts payable, related party payable, loan from Spirit Banner and purchase price payable to Golden Hill.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

11. Financial Risk Management (continued)

	Less than one year \$	1-3 years \$	3-5 years \$	More than 5 years \$	Total \$
Accounts Payable and accrued liabilities	145,754	-	-	-	145,754
Due to related party	137,014	-	-	-	137,014
Purchase price payable	638,415	-	-	-	638,415
Loan from Spirit Banner Corp.	225,000	-	-	-	225,000

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such interest rate, foreign exchange rates and commodity and equity prices.

(iv) Interest rate risk

The Corporation has cash balances and no interest-bearing debt. The Corporation does not believe it is exposed to material interest rate risks.

(v) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. The Company has cash balances in Mongolian Tughrik and US dollar that are subject to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, amounts receivable, accounts payable and other liabilities, that are denominated in US dollars and Mongolian Tughrik. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollar compared to the Canadian dollar would affect net income by \$6,527 with all other variables held constant.

(vi) Commodity and equity price risk

The Corporation is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Corporation closely monitors commodity prices, as they relate to lithium and the stock market to determine the appropriate course of action to be taken by the Corporation.

Commodity price risk could adversely affect the Corporation. In particular, the Corporation's future profitability and viability of development depends upon the work market price of lithium. There is no assurance that, even if commercial quantities of lithium deposits are produced in the future, a profitable market will exist for them. As of June 30, 2020, the Company was not a lithium producer. Even so, commodity prices may affect the completion of future equity transactions such as equity offerings. This may also affect the Corporation's liquidity and its ability to meet its ongoing obligations.

12. Subsequent Event

Qualifying transaction

On August 26, 2020, Spirit Banner has completed its qualifying transaction (the "Qualifying Transaction") with the Company. As previously announced, the parties received conditional approval of the TSX Venture Exchange (the "TSXV") on March 30, 2020.

For additional information about the Qualifying Transaction, please refer to the Ion Energy Ltd. (formerly Spirit Banner Capital Corp.)'s press releases dated August 20, 2019, November 18, 2019, December 19, 2019, January 30, 2020, April 3, 2020 and August 4, 2020, each of which is available at www.sedar.com.

Ion Energy Limited

Notes to Condensed Interim Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

12. Subsequent Event (continued)

Qualifying transaction (continued)

Pursuant to the Qualifying Transaction:

Spirit Banner has 19,030,780 issued and outstanding common shares and will issue one new Spirit Banner Share for every two existing Spirit Banner Shares, whereas, Old Ion Energy has 59,441,928 issued and outstanding common shares and will issue one new Old Ion Energy Share for every two existing Old Ion Energy Shares on the consolidation.

Old Ion Energy and 2724661 Ontario Limited ("Spirit Banner SubCo"), a wholly-owned subsidiary of Spirit Banner, have amalgamated and continued on as a new corporation under the name "Ion Energy Holdings Inc." ("AmalCo").

Each one issued and outstanding common share of Old Ion Energy has been cancelled and replaced by one issued and outstanding common share of the Ion Energy Ltd. (formerly Spirit Banner). All of the property and assets of each of Old Ion Energy and Spirit Banner SubCo have become the property and assets of AmalCo and AmalCo is now liable for all of the liabilities and obligations of each of Old Ion Energy and Spirit Banner SubCo.

Concurrent Financing

In connection with the Qualifying Transaction, the Company completed the previously announced non-brokered concurrent financing which consisted of the issuance of 9,063,329 subscription receipts (the "Subscription Receipts") offered at \$0.30 per Subscription Receipt, for gross proceeds of \$2,718,998.70 (the "Financing").

Each Subscription Receipt was automatically converted, without payment of additional consideration, into one post-Consolidation unit of Old Ion Energy (a "Unit") (consisting of one common share and one warrant to purchase one common share for 24 months following issuance, at an exercise price of \$0.40 per common share) upon satisfaction of the conditions precedent to the Qualifying Transaction. Subsequent to the conversion of the Subscription Receipts, the Old Ion Energy common shares and Old Ion Energy warrants issued pursuant to the Financing were exchanged for equivalent common shares and warrants of the Corporation, respectively, on a 1:1 basis.

If at any time after four months and one day from the completion of the Qualifying Transaction, the common shares of the Ion Energy Ltd. trade at \$0.60 per common share or higher (on a volume weighted adjusted basis) for a period of twenty days, Ion Energy Ltd. will have the right to accelerate the expiry date of the warrants exchanged for the Old Ion Energy warrants to the date that is thirty days after Ion Energy Ltd. issues a news release announcing that it has elected to exercise this acceleration right.

The net proceeds of the Financing will be used by Ion Energy Ltd. will be used for exploration purposes on Ion Energy's Mongolian property and for general corporate purposes.