

Spirit Banner Capital Corp.

(A CAPITAL POOL COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED

DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Spirit Banner Capital Corp.:

Opinion

We have audited the consolidated financial statements of Spirit Banner Capital Corp. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019 and December 31, 2018 and its consolidated financial performance and its cash flows for years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brock Stroud.

Toronto, Ontario
April 29, 2020

MNP **LLP**
Chartered Professional Accountants
Licensed Public Accountants

MNP

Spirit Banner Capital Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at

	Notes	December 31, 2019 \$	December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents		829,404	1,188,765
Interest receivable and prepayments		5,663	3,995
Loan receivable from Ion Energy Ltd.	10	225,000	-
Total Current Assets		1,060,067	1,192,760
Property, plant and equipment	7	3,238	4,084
Total Assets		1,063,305	1,196,844
Liabilities and shareholders' equity			
Liabilities			
Accounts payable and accrued liabilities		85,281	11,963
Total Liabilities		85,281	11,963
Shareholders' equity			
Share Capital, net of issuance costs	3	1,265,595	1,265,595
Contributed surplus	4	195,556	195,556
Accumulated deficit		(483,127)	(276,270)
Total shareholders' equity		978,024	1,184,881
Total liabilities and shareholders' equity		1,063,305	1,196,844

Subsequent events (Note 10)

Approved by the Board of Directors:

Director: Aneel Waraich

Director: Peter Bures

The notes to the consolidated financial statements are an integral part of these statements.

Spirit Banner Capital Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Years ended

	December 31, 2019 \$	December 31, 2018 \$
General and administrative expenses		
Due Diligence cost	45,265	-
Professional fees	85,502	14,793
Filing fees	33,907	16,595
Stock based compensation	-	142,649
Travel and accommodation	18,890	-
Office and administration	40,492	36,244
Total expenses	(224,056)	(210,281)
Interest income	17,199	8,433
Net loss and comprehensive loss for the year	(206,857)	(201,848)
Loss per share - basic and diluted	(0.02)	(0.02)
Weighted average number of common shares outstanding – basic and diluted	10,000,000	8,598,901

The notes to the consolidated financial statements are an integral part of these statements.

Spirit Banner Capital Corp.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Number of shares	Share Capital \$	Contributed surplus \$	Accumulated deficit \$	Total equity \$
Balance as at December 31, 2018		19,030,780	1,265,595	195,556	(276,270)	1,184,881
Net loss for the year		-	-	-	(206,857)	(206,857)
Balance as at December 31, 2019		19,030,780	1,265,595	195,556	(483,127)	978,024
Balance as at December 31, 2017		9,030,780	426,039	-	(74,422)	351,617
Common shares issued in Initial Public Offering	3	10,000,000	1,000,000	-	-	1,000,000
Issuance costs	3	-	(107,537)	-	-	(107,537)
Broker options issued	3	-	(52,907)	52,907	-	-
Stock based compensation	4	-	-	142,649	-	142,649
Net loss for the year		-	-	-	(201,848)	(201,848)
Balance as at December 31, 2018		19,030,780	1,265,595	195,556	(276,270)	1,184,881

The notes to the consolidated financial statements are an integral part of these statements.

Spirit Banner Capital Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended

	December 31, 2019	December 31, 2018
	\$	\$
Operating Activities		
Net loss for the year	(206,857)	(201,848)
Adjustments for:		
Depreciation	846	140
Stock-based compensation	-	142,649
Accrued interest	(3,403)	(3,995)
Changes in non-cash working capital items:		
Interest receivables and prepayments	1,735	-
Accounts payable and accrued liabilities	73,318	(52,037)
Net cash used in operating activities	(134,361)	(115,091)
Investing Activities		
Purchase of property and equipment	-	(4,224)
Loan to Ion Energy Ltd.	(225,000)	-
Net cash used in investing activities	(225,000)	(4,224)
Financing activities		
Proceeds from initial public offering, net of costs	-	892,463
Net cash provided by financing activities	-	892,463
Net change in cash	(359,361)	773,148
Cash, beginning of year	1,188,765	415,617
Cash, end of year	829,404	1,188,765

The notes to the consolidated financial statements are an integral part of these statements

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

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 principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced operations and has no assets other than cash and cash equivalents, accrued interest receivable, and property and equipment. 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 proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation, as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory 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. Please refer to subsequent event note 10 for additional information.

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 1, 2019, the Corporation incorporated a subsidiary (2724661 Ontario Inc.) to satisfy the legal requirements of the qualifying transaction. The subsidiary was inactive during the year ended December 31, 2019.

On April 29, 2020 the Board of Directors approved the audited consolidated financial statements for the year ended December 31, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Use of Estimates and Judgments

The preparation of these consolidated 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 consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The consolidated 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 consolidated financial statements.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 2724661 Ontario Inc. All significant intercompany balances and transactions were eliminated on consolidation.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted

Cash and cash equivalents

Cash and cash equivalents include cash held in financial institutions and a Guaranteed Investment Certificate that is cashable or with a maturity of less than three months.

Share-based Compensation

Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash and cash equivalents are classified as fair value through profit and loss and any period change in fair value is recorded in profit or loss. The loan receivable from Ion Energy Ltd. is classified measured as amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial Instruments – (Continued)

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

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

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash and cash equivalents are a level 1 financial instrument measured at fair value on the statements of financial position.

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 income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable

New Accounting Standards issued

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.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

New Accounting Standards issued – (Continued)

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 to 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

	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, December 31, 2018	19,030,780	1,265,595
Balance, December 31, 2019	19,030,780	\$ 1,265,595

(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 for gross proceeds of \$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.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

4. OPTIONS – (CONTINUED)

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, December 31, 2019	2,903,078	\$0.10

(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 agent options 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 options vested immediately.

The following table reflects the actual stock options issued and outstanding as of December 31, 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	0.14	1,000,000	1,000,000
February 21, 2023	\$0.10	3.15	1,903,078	1,903,078
	\$0.10	3.29	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 year ended December 31, 2019 is \$25,990 (2018 - \$8,640). These are reflected in general & administrative expenses.

During the year ended December 31, 2019, stock-based compensation for stock options of \$nil (year ended December 31, 2018: \$142,649) were granted to officers and directors. There was no other remuneration paid to key management personnel during the period.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

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 year ended December 31, 2019, the Corporation purchased a \$950,000 Guaranteed Investment Certificate on January 15, 2019 which matured on July 30, 2019. On same day, the Corporation purchased a \$950,000 Guaranteed Investment Certificate which matured on October 30, 2019. On November 21, 2019, the Corporation purchased a \$700,000 Guaranteed Investment Certificate which maturity date is on January 27, 2020. During the year ended December 31, 2019 total of \$17,199 in interest income has been recognized in the statements of loss and comprehensive loss.

7. PROPERTY, PLANT, AND EQUIPMENT

Cost	Equipment
Balance as at January 1, 2019	\$4,224
Balance as at December 31, 2019	\$4,224
Accumulated Amortization	
Balance as at January 1, 2019	\$140
Depreciation during period	\$846
Balance as at December 31, 2019	\$986
Net Book Value	
Balance as at December 31, 2019	\$3,238

Cost	Equipment
Balance as at January 1, 2018	\$0
Additions	\$4,224
Balance as at December 31, 2018	\$4,224
Accumulated Amortization	
Balance as at January 1, 2018	\$0
Depreciation	\$140
Balance as at December 31, 2018	\$140
Net Book Value	
Balance as at December 31, 2018	\$4,084

8. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 share capital, contributed surplus and deficit, 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.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

Capital Management – (Continued)

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 held in trust, loan receivable from Ion Energy Ltd., and accrued liabilities approximate fair value due to the relatively short term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. It is management's opinion that the Corporation is not exposed to significant credit risk other than from the loan receivable from Ion Energy Ltd.

9. 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:

	2019	2018
Net loss for the year/period	\$ (206,857)	\$(201,848)
Expected income tax recovery	(54,817)	(53,490)
Share-based compensation	-	37,802
Share issuance costs booked to equity	-	(28,497)
Deferred tax assets not recognized	54,817	44,185
Income tax recovery	\$ -	\$ -

At December 31, 2019, the Corporation had non-capital loss for income tax purposes of approximately \$393,028 (2018- \$159,564) which can be carried forward to be applied against future taxable income. The loss expire to the extent they are not used between 2037 and 2039. The Corporation also had approximately \$80,486 (2018 - \$129,674) in undeducted share issuance costs, which will be expensed for tax purposes over the next four years.

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

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

10. SUBSEQUENT EVENTS

On April 2, 2020, the Corporation announced that it has received conditional approval from the TSX Venture Exchange for its qualifying transaction with Ion Energy Ltd. ("Ion Energy"). As previously announced on August 20, 2019, November 18, 2019 and January 30, 2020, it is expected the Proposed Transaction, whereby Spirit Banner will acquire all of the issued and outstanding common shares of Ion Energy by way of a three-cornered amalgamation, will qualify as the Corporation's "Qualifying Transaction" under the policies of the TSXV.

Spirit Banner has filed its filing statement (the "Filing Statement") and the technical report (the "Technical Report") on the Baavhai-Uul Project prepared in connection with the Proposed Transaction. The Filing Statement and Technical Report are dated as of March 30, 2020 and posted on the Corporation's SEDAR profile page at www.sedar.com.

Closing of Qualifying Transaction

Closing of the Proposed Transaction is subject to certain conditions, including final acceptance of the TSXV for the Proposed Transaction and completion of Ion Energy's concurrent financing (the "Ion Energy Financing"), which consists of the issuance of a minimum of 4,333,333 subscription receipts (the "Subscription Receipts") and a maximum of 10,000,000 Subscription Receipts offered at \$0.30 per Subscription Receipt, as further described in the news release issued by Spirit Banner on January 30, 2020. The minimum amount of funds to be raised from the Ion Energy Financing has been reduced from \$2,000,000 as previously announced on January 30, 2020 to \$1,300,000. The Ion Energy Financing is ongoing and is intended to close in June of 2020. Closing of the Qualifying Transaction is expected to take place in June on a date to be determined by Spirit Banner and Ion Energy. Trading in Spirit Banner Shares is expected to recommence two business days after closing of the Proposed Transaction under the name "Ion Energy Ltd."

Sponsorship

Ion Energy and Spirit Banner have retained Canaccord Genuity Corp. to act as sponsor for the Proposed Transaction in accordance with TSXV Policy 2.2 - Sponsorship and Sponsorship Requirements.

Amendment Agreements

The Corporation and Ion Energy have entered into an amendment agreement (the "Amendment Agreement") to the definitive agreement dated August 20, 2019, for the Proposed Transaction. The Amendment Agreement extends the deadline for completion of the Proposed Transaction to April 30, 2020. If the Proposed Transaction is not completed prior to April 30, 2020, then it will be terminated unless otherwise extended by the Corporation and Spirit Banner. The Company and Ion Energy have agreed to extend the date to later date to be determined.

On November 18, 2019, the Corporation and Ion Energy entered into an agreement whereby the Corporation advanced \$225,000 to Ion Energy as a refundable deposit for the proposed Qualifying Transaction (the "Advance of Funds"), 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. On March 27, 2020, the Corporation and Ion Energy extended the due date for repayment of the Advance of Funds to April 30, 2020. The Company and Ion Energy have agreed to extend the date of repayment to later date to be determined.

Trading Suspension

Spirit Banner's shares are currently halted from trading and are not expected to resume trading until the TSXV completes its review of the Proposed Transaction.

There can be no assurance that the Proposed Transaction or Ion Energy Financing will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the filing statement being prepared in connection with the Proposed Transaction, any information released or received with respect to the Proposed Transaction may not be accurate or complete and should not be relied upon.

Additional information is available publicly on www.sedar.com

Agents Options

Subsequent to year-end, the 1,000,000 agent options disclosed in note 4 expired unexercised on February 21, 2020.

Spirit Banner Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

10. SUBSEQUENT EVENTS - (CONTINUED)

COVID-19

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause a difficulty to search for a Qualifying Transaction, which may negatively impact the Company's business and financial condition.