



TSX-V:ION OTC:IONGF

Ion Energy Ltd.

(Formerly Spirit Banner Capital Corp.)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022.

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The following interim management discussion and analysis (“MD&A”) of the results of the operations and financial position of Ion Energy Ltd. prepared for the three and nine months ended September 30, 2022 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management’s discussion & analysis, being for the Management’s Discussion & Analysis (“Annual MD&A”) for the year ended December 31, 2021. This analysis should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022. Information contained herein is presented as of November 28, 2022, unless otherwise indicated. All figures contained in this MD&A are presented in Canadian dollars.

Caution Regarding Forward Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward- looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Company’s ability to predict or control. Please also refer to those risk factors referenced in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Company Overview

Ion Energy Ltd., formerly Spirit Banner Capital Corp. (the “Company”), was incorporated under the Business Corporation Act (Alberta) on June 5, 2017 and was classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”).

On February 27, 2019, the Company signed a binding letter of intent (“LOI”) with Ion Energy Ltd. in which the Company acquired all if the issued and outstanding common shares of Ion Energy Ltd. in a three-cornered amalgamation (the “Transaction”) involving the Company, Ion Energy Ltd. and 2724661 Ontario Ltd., a wholly owned subsidiary of the Company. 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

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the Transaction, changed its name to Ion Energy Ltd. and resumed trading on the Exchange under the symbol "ION".

On the same date, the Company completed a share consolidation on the basis of one post-consolidated common share for every two pre-consolidated common shares (the "Share Consolidation"). The Share Consolidation reduced Ion's 59,441,940 issued and outstanding common shares to 29,720,970 post-consolidation common shares. All historical information presented has been adjusted to reflect the Share Consolidation.

The Company is engaged in the business of seeking and identifying lithium assets in Asia. The Company is the owner of two lithium exploration licenses in Mongolia, the Baavhai Uul Project and the Urgakh Naran Project. The Baavhai Uul Project is approximately 81,758 hectares in size containing lithium brine targets. Limited work by the Mongolian University of Science and Technology has indicated lithium content in brines of up to 810ppm Li for brine and lake sediment samples on the Baavhai Uul Project. Ion Energy Ltd. The Urgakh Naran project, located in Mongolia's Dorngovi Province, covers an area of approximately 29,000 hectares of highly prospective lithium terrain located 150 km west northwest of the Baavhai Uul Project.

The registered office of the Company is located at Suite 902, 18 King St E, Toronto Ontario M5C 1C4. The head office of the Company is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5H 4A6.

Corporate Highlights

On August 21, 2017, Ion Energy Ltd. closed a founder round totaling 30,032,160 common shares at a value of 0.010 cents for cash totaling C\$300,322.

During the year ended December 31, 2019, the Company issued 11,200,000 shares to settle debt incurred in 2017 and 2018 at a value of \$0.10.

On February 15, 2019, Ion Energy Ltd. signed an agreement to acquire the Baavhai Uul license. The terms of the agreement are summarized below:

- The purchase price payable shall be aggregate amount of US\$1,200,000 and 2,500,000 common shares in the capital stock of Ion Parent.
- Ion Energy shall pay the Purchase price less applicable taxes to the Seller on the following dates:
 - On the Closing date, US\$500,000 in cash and 2,500,000 common shares upon the Seller transferring the Licenses to Ion Energy LLC.
 - On the completing of a technical report prepared in accordance with National Instrument 43-101, US\$200,000 in cash.
 - On completion of the initial exploration programs 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 program of over 2,000 meters recommended by the Technical report, US\$200,000 in cash.

On August 8, 2019, the Company entered into a Royalty Agreement with Star Royalties Ltd. which was related through common directorship. Management of the Company concluded that the Company had significant influence over Star Royalties as it owned >20% shares of Star Royalties and therefore needed to be accounted for using equity method accounting. The agreement provided for a 1.5% Gross Revenue Royalty. The value of the royalty was \$562,500 which was paid via Star royalty share issuance of 7,500,000 shares at \$0.075 per share. 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 recognised \$348,138 impairment loss as at December 31, 2019.

On August 15, 2019, the license purchase agreement signed on February 15, 2019 was amended. The terms of the agreement are summarized as follows:

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- The purchase price payable for the License shall be an aggregate amount of US\$1,000,000 and 4,000,000 common shares in the capital stock of Ion.
- Ion Energy shall pay the Purchase Price less applicable taxes to the Seller on the following dates:
 - On the date of amendment of the agreement US\$100,000 in cash and 4,000,000 Common Shares.
 - 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.
 - On completion of an initial exploration program as recommended by a technical report prepared in accordance with National Instrument 43-101 prepared for the Baavhai Uul project located in Sukhbaatar province, US\$200,000 in cash.
 - On completion of a feasibility study as such term shall be defined in the Technical Report, US\$200,000 in cash.
 - On the issuance of a mining license for the Baavhai Uul project located in Sukhbaatar province, US\$100,000 in cash.

The original fair value of the license was capitalized to the Baavhai Uul Project – Exploration at \$667,130 in the Statement of Financial Position. The difference noted in the fair value arising from the amendment to the agreement was treated as a loss on amendment of agreement and was recorded as a loss in the Statement of Loss and Comprehensive Loss.

As at September 30, 2022, scheduled payments (i) and (ii) have been paid to the Seller. Payment (iii) has been recorded in accrued liabilities as the Company expects to reach this milestone in 2022. The remaining terms will be reflected in the financial position of the Company once it is probable the conditions for payment will be met.

On September 1, 2019, the Company closed its private placement financing announced earlier by issuing 2,010,250 shares for cash at a value of \$0.20.

On September 10, 2019, the Company issued 2,500,000 shares to its directors and consultants to settle debt at a value of \$0.20.

On March 18, 2020, the shareholders of Ion Energy cancelled their interests in 20,021,448 common shares.

On August 27, 2020, the Company announced that it has completed its previously announced qualifying transaction (the "Qualifying Transaction") with Old Ion Energy. 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 Company'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.

Pursuant to the Qualifying Transaction:

- Spirit Banner implemented, immediately prior to the completion of the amalgamation (referred to below) a share consolidation of Spirit Banner's 19,030,780 issued and outstanding common shares (the "Spirit Banner Shares") on the basis of one new Spirit Banner Share for every two existing Spirit Banner Shares;
- The Company completed a share consolidation on the basis of one post-consolidated common share for every two pre-consolidated common shares (the "Share Consolidation"). The Share Consolidation reduced Ion's 59,441,940 issued and outstanding common shares to 29,720,970 post-consolidation common shares.
- Old Ion Energy and 2724661 Ontario Limited ("Spirit Banner SubCo"), a wholly owned subsidiary of the Company, have amalgamated and continued on as a new corporation under the name "Ion Energy Holdings Ltd." ("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 Company;
- All of the property and assets of each of Old Ion Energy and Spirit Banner SubCo have become the property

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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, Old Ion Energy 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 \$2,718,999 (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 Company, respectively, on a 1:1 basis.

The net proceeds of the Financing were used by the Company for exploration purposes on the Baavhai Uul Project and for general corporate purposes.

Escrow Securities

In connection with the Company's initial public offering, 4,515,390 of the Company's common shares beneficially owned by insiders of the Company are held in escrow pursuant to a CPC escrow agreement (the "CPC Escrow Agreement") on the terms fully disclosed in the Filing Statement. In connection with the closing of the Qualified Transaction, an additional 15,337,277 common shares of the Company will be held in escrow pursuant to the additional surplus escrow agreement between the Company, its escrowed shareholders and TSX Trust Company as the escrow agent (the "Surplus Escrow Agreement"), and an addition 6,733,435 common shares of the Company will be held in escrow pursuant to the additional value escrow agreement between the Company, its escrowed shareholders and TSX Trust Company as the escrow agent (the "Value Escrow Agreement").

The 15,337,277 shares of the Company subject to escrow under the Surplus Escrow Agreement shall be released from escrow as follows:

- 5% of such escrowed shares will be released immediately upon the issuance of the TSXV bulletin evidencing final acceptance of the Qualifying Transaction,
- 5% six (6) months following the initial release,
- 10% twelve (12) months after the initial release,
- 10% eighteen (18) months following the initial release,
- 15% twenty-four (24) months from the initial release,
- 15% thirty (30) months from the initial release and
- 40% thirty-six (36) months from the initial release.

The 6,733,435 shares of the Company subject to escrow under the Value Escrow Agreement shall be released from escrow as follows: 10% of such escrowed shares will be released immediately upon the issuance of the TSXV bulletin evidencing final acceptance of the Qualifying Transaction with the balance to be released in six equal tranches of 15% every six months thereafter.

At September 30, 2022 a total of 11,810,150 shares remained in escrow.

On October 21, 2020, the Company granted to the directors of the Company an aggregate of 3,000,000 incentive stock options to purchase common shares under the Company's incentive stock option plan. Each Stock Option is exercisable into a common share of the Company at a price of \$0.32 for a period of five years from the date of grant. The Stock Options will vest immediately and be subject to the terms and conditions of the Plan and the policies of the TSX Venture Exchange.

On January 14, 2021, the Company received approval from the OTC Markets Group to begin trading on the OTCQB Market under the ticker symbol "IONGF" at the open of markets.

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On February 3, 2021, the Company granted to certain consultants and insiders of the Company an aggregate of 685,000 incentive stock options (the "Stock Options") to purchase common shares under the Company's incentive stock option plan (the "Plan"). Each Stock Option is exercisable into a common share of the Company at a price of \$0.55 for a period of two years from the date of grant. 635,000 of Stock Options vest immediately and 50,000 after one year and are subject to the terms and conditions of the Plan and the policies of the TSX Venture Exchange. 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 0.17%, expected volatility of 118% and an expected life of 2 years. The value attributed to these options was \$207,980.

On February 10, 2021, the Company acquired the Urgakh Naran Lithium Brine Project (the "Urgakh Naran Project") located in Mongolia's Dorngovi Province. The name "Urgakh Naran" is Mongolian for "Rising Sun" and the Project covers an area of approximately over 29,000 hectares of highly prospective lithium terrain located 150km west northwest of the Company's flagship property, the Baavhai Uul Lithium Brine Project. The Company acquired the Urgakh Naran Project as a result of a successful tender bid submitted to the Mineral Resource Authority of Mongolia. The cost of acquiring the Urgakh Naran Project was approximately USD\$333,300, including license cost, taxes, consulting and related expenses.

On April 13, 2021 the Company completed a public offering of 11,500,000 units of the Company at a price of \$0.50 per Unit for aggregate gross proceeds to the Company of \$5,750,000. Each Unit comprises one common share in and one warrant to purchase one common share. Each Warrant is exercisable to acquire one common share for 36 months from the date hereof at an exercise price of \$0.70 per Warrant Share. The proceeds were allocated \$3,616,911 to shares and \$2,133,089 to warrants. Additionally, the Company issued 690,000 broker warrants as part of this transaction. The Company incurred \$705,994 in cash share issuance costs.

On December 1, 2021, the Company granted to certain consultants and insiders of the Company an aggregate of 235,000 incentive stock options to purchase common shares under the Company's incentive stock option plan. Each stock option is exercisable into a common share of the Company at a price of \$0.55 for a period of two years from the date of grant. 185,000 of the stock options vest immediately and 50,000 after one year and are subject to the terms and conditions of the Plan and the policies of the TSX Venture Exchange. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: fair value share price of \$0.56, dividend yield 0%, risk-free interest rate of 0.95%, expected volatility of 113% and an expected life of 2 years. The value attributed to these options was \$76,573.

On January 11, 2022, 135,000 options were exercised at \$0.55 for proceeds of \$74,520. The fair value of the exercised options was \$43,989.

On January 25, 2022, the Company entered into a binding term sheet which sets out the terms for an exploration joint venture with Aranjin Resources Ltd. ("Aranjin"). The joint venture allows for both companies to grant one another reciprocal exploration rights to their respective exploration licenses within Mongolia. Under the terms of the agreement, Aranjin is granted a right to explore Ion's properties for base metals (including copper, lead, zinc, nickel, cobalt and associated metals) and to earn an 80% interest in and to all base metal projects discovered and/or defined on the Ion Properties subject to the existing royalties and subject to the completion by Aranjin of its work commitment of \$3.0 million over three years. Ion is granted a right to explore Aranjin's properties for lithium and an 80% interest in and to all lithium projects discovered and/or defined on the Aranjin licenses, subject to the existing royalties. The area covered by the joint venture consists of all mineral rights in Mongolia currently held by each company and any mineral rights acquired by each company in Mongolia subsequent to the date of the agreement. Aranjin is considered to be a related party as three of the Company's directors also serve as directors of Aranjin.

On February 4, 2022, the Company granted 330,000 options to a consultant to purchase common shares at a price of \$0.605 for a period of two years from the date of grant. The options vest 25% per quarter from the date of grant. These options were valued on the date of issue using the Black-Scholes option pricing model with the following

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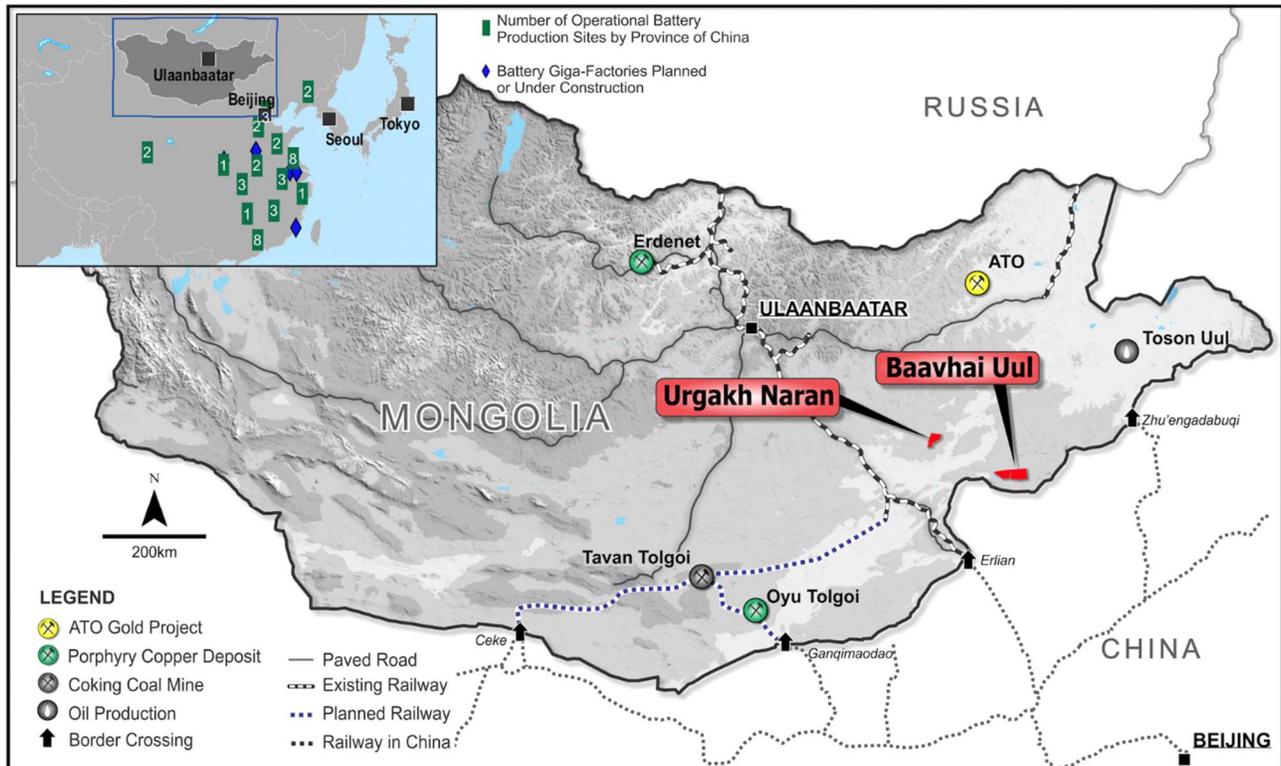
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assumptions: fair value share price of \$0.40, dividend yield 0%, risk-free interest rate of 1.29%, expected volatility of 86% and an expected life of 2 years. The value attributed to these options was \$65,048.

Exploration Properties

The Company is the owner of two lithium exploration licenses in Mongolia, the Baavhai Uul Project and the Urgakh Naran Project.



The Baavhai Uul Project

The lithium property is located in a semi-desert climate with low annual precipitation in southeast Mongolia near the state boundary. The Property is accessible from the capital Ulaanbaatar by recently built, good quality paved roads to the Baruun-Urt province center, Sukhbaatar province (800km). The access from the province center to project area Baavhai Uul is approximately 200 km by ground road.

On October 21, 2020, the Company announced that it is commencing its geophysics (CSAMT and reflection seismic) study on the Baavhai Uul Lithium Brine project. The geophysics program is specifically designed to progressively identify and map brine aquifers as potential targets for a series of drill tests. This work was suspended shortly thereafter due to COVID-19 restrictions imposed in Mongolia.

For more information, please refer to the Baavhai Uul technical report publicly available on www.sedar.com.

The Urgakh Naran Project

The name “Urgakh Naran” is Mongolian for “Rising Sun” and the Project covers an area of approximately 29,770 hectares of highly prospective lithium terrain located 150km west northwest of the Company’s flagship property, the Baavhai Uul Lithium Brine Project.

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Previous work conducted at the Urgakh Naran Lithium Brine Project has included a substantial hydro-chemical sampling program of identified shallow lithium in brines. Although early stage, this program was highly successful in identifying multiple targets for follow up exploration.

Business Outlook

The Company's focus is completing the initial stage of the two-phase early exploration program at the Baavhai Uul Project and developing and executing the maiden exploration program for the Urgakh Naran Project.

Exploration programs on the Company's lithium brine properties are expected to be conducted in staged phases. The first phase of the program includes surface and near surface geochemical sampling of sediments and brines using auger drill holes, initial geophysical surveys of the basins, drilling to establish basin stratigraphy, and conducting water and lake sediment analytical works. Early-stage work is also expected to include regional hydrogeologic water sampling and rock chip sampling to aid in determining the source of lithium mineralization on any prospective target.

The targets for the second phase of exploration will be determined from the results of the first phase of brine and sediment sampling and characterization of the basin geometry. If warranted, the second phase of the proposed exploration program will consist of deeper drilling for a more extensive characterization of the basin geometry and brine and lake sediment chemistry at depth, along with pumping tests in wide diameter holes in order to investigate various hydrological features.

During the year ended December 31, 2021, the Company undertook the following key exploration activities:

- Defined and commenced an expanded exploration program to better understand Baavhai Uul exploration of its Lithium Salar Projects in Mongolia. This included the drilling of 17 RC drill holes through the highlighted prospective basins, with the purpose of better understanding stratigraphy and the identification of paleo salars.
- Completed an initial shallow drilling program on the Baavhai Uul Lithium Salar consisting of 222 drill holes. Holes were drilled to a maximum depth of six meters with samples being collected and assayed every 0.50 meters. Drill holes were located over one kilometer apart, and this represents a broad first pass of the Baavhai Uul license. Initial drilling results received were highly encouraging with a new lithium discovery being made at the White Wolf Prospect that showed a maximum grade of 1502ppm very near surface.

In 2022, the Company is planning further exploration activities on both Urgakh Naran and Baavhai Uul. The priority for Urgakh Naran will be an auger drilling program, TEM geophysics, a site visit and hydrogeological sampling including an initial plan to drill 73 shallow holes commencing in April 2022. The basin is centered on an area that is 6 kilometres wide and more than 20 kilometres long. At Baavhai Uul, the Company plans to undertake hydrogeological sampling program as well as a detailed geophysics program using TEM.

Selected Consolidated Quarterly Information

To date, the Company has not earned any revenues from its mining properties and is in the exploration and development stage. The ability to ensure continuing operations is dependent on the discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete the exploration activities, development and advance to production.

The Company is providing the following selected quarterly information with respect to the Company's financial statements for the quarter ended September 30, 2022 and the seven preceding quarters. The financial statements for these periods were prepared in accordance with IFRS and are expressed in Canadian dollars.

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	Quarter ended			
	Sept. 30, 2022 (Q3)	June 30, 2022 (Q2)	March 31, 2022 (Q1)	Dec. 31 2021 (Q4)
Net loss	(652,659)	(615,079)	(691,703)	(490,729)
Loss per share, basic & fully diluted	(0.01)	(0.01)	(0.01)	(0.01)
Working capital	1,440,957	2,097,218	3,012,218	3,598,971
Total assets	4,338,852	4,806,013	5,883,663	6,474,871
Shareholders' equity	3,832,729	4,366,148	5,169,310	5,684,169
Avg. number of shares outstanding	60,564,633	60,468,534	60,453,534	60,273,109

	Quarter ended			
	Sept. 30, 2021 (Q3)	June 30, 2021 (Q2)	March 31, 2021 (Q1)	Dec. 31 2020 (Q4)
Net loss	(456,550)	(674,175)	(601,383)	(1,270,866)
Loss per share, basic & fully diluted	(0.01)	(0.01)	(0.01)	(0.03)
Working capital	4,380,380	5,219,732	709,139	1,468,404
Total assets	6,448,382	7,002,903	2,343,081	2,785,433
Shareholders' equity	6,024,138	6,704,068	2,137,910	2,468,327
Avg. number of shares outstanding	60,213,554	58,668,924	48,589,333	48,525,671

Results of Operations

The Company has no revenue from operations. A summary of the operating expenses for the three and nine months ended September 30, 2022 and 2021 is as follows:

Description of operating expenses	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2022	2021	2022	2021
Professional fees	224,216	222,287	682,631	698,560
Due diligence costs	-	-	8,067	2,747
Stock based compensation	16,262	-	32,524	207,980
Filing fees	34,090	14,769	81,358	91,787
Travel and accommodation	36,613	-	177,184	530
General and office	80,446	55,603	182,503	154,267
Marketing expenses	260,576	207,322	803,879	614,527
Gain on accounts payable write-off	-	-	-	(17,375)
(Gain) on exercise of warrants	-	(13,738)	-	-
Foreign exchange (gain) or loss	456	(29,683)	(39)	(20,914)
Other (income)/expense	-	-	(8,666)	-
Net Loss	\$652,659	\$456,550	\$1,959,441	\$1,732,109

Three months ended September 30, 2022 compared to the three months ended September 30, 2021

The Company's net loss totaled \$652,659 for the three months ended September 30, 2022, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$456,550, with basic and diluted loss per share of \$0.01 for the three months ended September 30, 2021. The increased loss in 2022 is primarily due to higher marketing, travel and other operating expenses and the impact of a foreign exchange gain in 2021.

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

The Company's net loss totaled \$1,959,441 for the nine months ended September 30, 2022, with basic and diluted loss per share of \$0.03. This compares with a net loss of \$1,732,109, with basic and diluted loss per share of \$0.03 for the nine months ended September 30, 2021. The increased loss in 2022 is primarily due to higher marketing, travel and general & office expenses, partially offset by lower share-based compensation expense.

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Liquidity and Capital Resources

The activities of the Company, principally the acquisition and exploration of properties prospective for lithium, are financed through the completion of equity transactions such as equity offerings. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below.

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the issuance of share capital, exercise of stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. As of September 30, 2022, the Company had 60,633,534 Common Shares issued and outstanding.

Current liabilities decreased to \$506,123 at September 30, 2022, compared to \$790,702 at December 31, 2021.

At September 30, 2022 the Company had working capital of \$1,440,947 compared to working capital of \$3,598,971 at December 31, 2021. The Company had cash and cash equivalents of \$1,383,106 at September 30, 2022, compared to \$3,970,019 at December 31, 2021. The decrease in cash and cash equivalents and working capital is due primarily to exploration expenditures and operating expenses incurred during the year to date.

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

The Company will continue to monitor its working capital requirements closely to ensure the Company meets its commitments and continues to move forward on development. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favorable to the Company. See "Risk Factors" below and "Forward Looking Statements" above.

Related Party Transactions

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties). The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

Related parties include officers and directors of the Company and enterprises that are controlled by these individuals.

During the nine months ended September 30, 2022, the Company paid, or otherwise accrued, \$382,033 (September 30, 2021 - \$402,066) in consulting fees to key management personnel (defined as officers and directors of the Company). In addition, the Company paid or otherwise accrued \$24,500 (September 30, 2021 - \$36,840) for the office rent to Steppe Gold Ltd., whose Board includes three of the Company's Directors.

During the nine months ended September 30, 2022, the Company recognized stock-based compensation totaling \$Nil (September 30, 2021 - \$30,362) in the condensed interim consolidated statement of loss and comprehensive loss in connection with the vesting of stock options granted to certain management personnel.

On September 29, 2022, the Company agreed to loan \$100,000 to Aranjin Resources Ltd. ("Aranjin"). The Company entered into a reciprocal exploration agreement with Aranjin on February 1, 2022 and three of the Company's Directors also serve as Directors of Aranjin. The loan is secured by a promissory note with no fixed repayment terms and includes interest calculated at the prime lending rate of the Royal Bank of Canada plus 1% per annum. At September 30, 2022, \$18,574 of the loan had been advanced and is included in Receivables at September 30, 2022. The balance of \$81,426 was advanced on October 3, 2022.

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Financial Instruments

Fair Values

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the over fair value measurement.

The carrying value of amounts receivable, and other accounts payable and accrued liabilities approximate their fair values because of short period to maturity of these instruments.

Cash and cash equivalents are classified as held for trading and are therefore recorded at fair value. At September 30, 2022 and December 31, 2021, the Company's cash and cash equivalents are classified as Level 1 within the fair value hierarchy.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. ION's exposure to credit risk is on its cash held with financial institutions. The carrying amount of cash represents the maximum credit exposure.

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. The Company's cash and cash equivalents are currently invested in business accounts with high-credit quality financial institutions and in trust and are available on demand by the Company. The Company's financial obligations consist of accounts payable and accrued liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and other liabilities, that are denominated in US dollars and Mongolian Tughrík. The Company does not have a foreign currency exposure materially affecting the financial statements as at September 30, 2022.

Off-Balance Sheet Arrangements

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The Company does not have any off-balance sheet arrangements as at September 30, 2022.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Each common share entitles the holder to one vote at all meetings of shareholders and represents an interest in dividends declared by the Company and an undivided interest in the net assets of the Company.

At September 30, 2022, the Company had the following outstanding securities:

- 60,633,534 common shares.
- 4,675,549 stock options to acquire one common share at a weighted average exercise price of \$0.35.
- 12,190,000 warrants to acquire one common share at a weighted average exercise price of \$0.69.

Risk Factors

The risk factors associated with the principal business of ION are discussed below. Briefly, these relate to the highly speculative nature of the mining industry characterized by the requirement for large capital investment from an early stage and a low probability of finding economic mineral deposits. Due to the nature of ION's business and the present stage of its exploration projects, ION may be subject to significant risks. Readers should carefully consider all such risks set out in the discussion below. ION's actual exploration and operating results may be very different from those expected as at the date of this MD&A.

Limited Operating History and Financial Resources

ION has a limited operating history and expects that its losses will continue for the foreseeable future. Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications, and delays encountered in connection with the exploration of the mineral properties that the Company plans to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of mineral claims may not result in the discovery of mineral deposits. If the results of future exploration programs do not reveal viable commercial mineralization, the Company may decide to abandon its claims and acquire new claims for new exploration or cease operations.

Mineral Reserves & Resources

ION has not defined any Mineral Reserves or Resources on its Baavhai Uul or Urgakh Naran Projects, and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop extraction processes and to construct mining and processing facilities at a site, and substantial additional financing may be required. It is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) Lithium prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Operational Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful

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evaluation may not be able to overcome. These hazards include unusual or unexpected formations, formation pressures, inclement weather conditions, seismic activity, fires, power outages, industrial accidents, flooding, explosions, rock bursts, cave-ins and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, catastrophic damage to property or loss of life, labour disruptions, technological failure of mining methods, equipment failure or the inability to obtain suitable or adequate machinery, equipment or labour.

Foreign Operations Risks

The Baavhai Uul and Urgakh Naran Projects are located in Mongolia. The Company may be subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty increases, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific obligations and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities, insurrections, the actions of national labour unions, terrorism, extortion and kidnapping. Such instability may require the Company to suspend its operations. Additionally, the perception of political or others exist in Mongolia may hinder the Company's ability to access capital in a timely or cost-effective manner.

The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation, and investment. In the event of a dispute arising in connection with the Company's operations in Mongolia, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions.

Title to Properties

The Company will not maintain insurance against the title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. Ion has diligently investigated title to its mineral claims; however, this should not be construed as a guarantee of title. The Company will continue to diligently investigate and seek to confirm title to mineral concessions, which it holds either directly or through its equity interest in its subsidiaries. The Company cannot give any assurance that title to any of its properties will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mining properties. The possibility also exists that title to existing properties or future prospective properties may be lost due to an omission in the claim of title, prior activities of the property vendors, or changes in Mongolian mining laws or the application thereof, which affects the Company's title.

ION has obtained a title opinion from Mongolian legal counsel with respect to title to the Baavhai Uul and Urgakh Naran Projects held by ION, but this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties, and any of the Company's properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected encumbrances or defects or governmental actions. The Company will not have all of the surface rights at the Baavhai Uul and Urgakh Naran Projects, and there is no assurance that these surface rights will be granted, or they will be on reasonable terms if granted.

Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. These factors include interest rates, the rate of inflation or deflation, global and regional supply and demand, consumption patterns, forward sales by producers, currency exchange fluctuations, speculative activities and increased production due to improved mining and production methods.

The Company's future revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of Lithium. The prices of these

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commodities are affected by numerous factors beyond the Company's control.

Dependence on Future Financings

The Company will require significant capital and operating expenditures in connection with the development of the Baavhai Uul and Urgakh Naran Projects. There can be no assurance that the Company will be successful in obtaining the required financing as and when needed. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on the financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all.

Government Regulation

The proposed mining, processing, development and mineral exploration activities of the Company are subject to various laws governing environmental protection, natural resources prospecting, development, production, post-closure reclamation, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. The costs associated with compliance with such laws and regulations are substantial. Although ION believes that its mining and processing operations and exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be interpreted and applied in a manner which could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the development of the Baavhai Uul or Urgakh Naran Projects.

Permits and Licenses

The mining and exploration activities of the Company will require permits from various governmental authorities and such operations are and will be, governed by laws and regulations governing exploration, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in mining and exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations, and permits. While ION believes that it currently has all permits and licenses necessary to carry on activities on the Baavhai Uul and Urgakh Naran Projects, a substantial number of additional permits and licenses may be required. The Company anticipates that it will be able to obtain in the future all necessary licenses and permits to carry on the activities which it intends to conduct, and that it intends to comply in all material respects with the terms of such licenses and permits; however, there can be no assurance that all permits that the Company may require for mining and exploration will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Health and Safety Risk

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. Failure to comply with applicable health and safety laws may result in injunctions, damages, suspension or revocation of licenses or permits and the imposition of penalties.

Environmental Matters

The Company's operations will be subject to local laws and regulations regarding environmental matters, the use or abstraction of water, and the discharge of mining wastes and materials. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with

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all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important factors affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases, and the Company will compete with other exploration companies which have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases, and other mineral interests as well as for the recruitment and retention of qualified employees and other persons to carry out its mineral exploration and development activities. Increased demand for exploration, development and construction services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays or both.

Non-Governmental Organization Intervention

The Company's relationship with the communities in which it operates will be critical to ensure the future success of its existing operations and the construction and development of its projects. A number of Non-Governmental Organizations are active in Mongolia. These organizations may create or encourage public unrest and anti-mining sentiment among the inhabitants in areas of mineral development. Such organizations have been involved, with financial assistance from other groups, in mobilizing sufficient local anti-mining sentiment to prevent the issuance of required permits for the development of other mineral projects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

Litigation Risk

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the Company's business, prospects, financial position, results of operations or the Company's property development.

Key Personnel

Locating and developing mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration, development and production personnel involved. The success of the Company is largely dependent on the performance of its key personnel. The Company's success is also largely dependent on its ability to hire and retain other highly qualified personnel. This is particularly true in highly technical businesses such as mineral exploration. The number of persons skilled in acquisition, exploration, and development of mining properties is limited and competition for this workforce is intense. As the Company's business activity grows, the Company will require additional key executive, financial, operational, administrative and mining personnel. These individuals are in high demand and the Company may not be able to attract the personnel it needs. Failure to retain key personnel or to attract and retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's business, its operating results as well as its overall financial condition.

Insurance and Uninsured Risk

The business of the Company will be subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, explosions, natural

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phenomena such as inclement weather conditions, floods and earthquakes, changes in the regulatory environment and political or social instability. Such occurrences or events could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses, and possible legal liability.

Although the Company plans to maintain insurance for protection against certain risks in amounts it considers being reasonable, such insurance may not cover all the potential risks associated with Company's operations. Moreover, insurance against political risk and risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. In conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. Circumstances (including with respect to future corporate opportunities) may arise which are resolved in a manner that is unfavourable to the Company.

Currency Risks

The Company will report its financial results and maintains its accounts in Canadian dollars. The Company's operations in Mongolia will make it subject to further foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company will be exposed to foreign exchange risk from the exchange rate of the Mongolian MNT relative to the Canadian and United States dollars. Foreign exchange risk is mainly derived from assets and liabilities stated in MNT. Management of the Company intends to limit the Company's foreign exchange risk by the acquisition of short-term financial instruments and, when possible, minimize its pesos monetary asset positions.

No Dividends

The Company does not expect to pay dividends on the issued and outstanding Company shares in the foreseeable future. If the Company generates any future earnings such cash resources will be retained to finance further growth and current operations. The board of directors of the Company will determine if and when dividends should be declared and paid in the future based on the financial position of the Company and other factors relevant at that time. Until the Company pays dividends, which it may never do, a shareholder will not be able to receive a return on his or her investment in the Company shares unless such Company shares are sold.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company will be located outside of Canada and certain of the directors and officers of the Company are or may be resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the Company's directors and officers residing outside of Canada.

COVID-19

The current global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic, including local variants of the virus, and local and international developments related thereto and its effect on the broader global economy and capital markets may have a negative effect on the Company. While the impact of the COVID-19 outbreak on the Company to date has not been significant, the ultimate effect remains unknown, as the rapid spread of the virus, declaration of the outbreak as a global pandemic, the emergence of new localized variants of the virus, and subsequent waves of infection have resulted in travel advisories and restrictions, restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having direct impacts on businesses around the world and could result in travel bans, work delays, difficulties for contractors and employees getting to site and mobilizing equipment to site, and diversion of management attention all of which in turn could have a negative impact on the Company generally.

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Additional Information

For further detail, see the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022. Additional information about the Company can also be found on SEDAR (www.sedar.com).