Spirit Banner II Capital Corp.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

DECEMBER 31, 2018

(Expressed in Canadian Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Spirit Banner Capital Corp. ("the Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three and nine months ended December 31, 2018 have not been reviewed by the Company's auditors.

Spirit Banner II Capital Corp.

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

	December 31, 2018	March 31, 2018
Assets		
Current assets		
Cash	$ 697,181	$ 298,850
Prepaid expenses and other receivable	22,569	15,000
Total Current Assets	$ 719,750	$ 313,850
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities (note 6)	$ 58,808	$ 27,524
Shareholders' equity		
Share capital (note 3)	683,368	327,500
Stock options	261,872	-
Accumulated deficit	(284,298)	(41,174)
Total shareholders' equity	660,942	286,326
Total liabilities and shareholders' equity	$ 719,750	$ 313,850

Subsequent Event (note 7)

Approved by the Board of Directors:

Director: Ali Haji

Director: Matthew Wood

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

Spirit Banner II Capital Corp.

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

		Three months ended December 31, 2018		Nine months ended December 31, 2018
General and administrative expenses				
Professional fees	$	3,840	$	12,726
Legal fees		15,094		24,184
Stock based compensation		192,990		192,990
Listing fees		-		11,300
Bank fees		2		128
Office and administration		588		1,796
Total comprehensive loss for the period	$	(212,514)	$	(243,124)
Basic and diluted net loss per share	$	0	$	0
Weighted average number of common shares outstanding		11,615,000		11,615,000

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

Spirit Banner II Capital Corp.

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

	Number of Shares	Share Capital	Stock options	Deficit	Shareholders' Equity
Balance, March 31, 2018	6,600,000	$ 327,500	-	$ (41,174)	$ 286,326
Issue of share capital	5,015,000	$ 355,868	-	-	$ 355,868
Stock options	-	-	$ 261,872	-	$ 261,872
Net loss for the period		-	-	$ (243,124)	$ (243,124)
Balance, December 31, 2018	11,615,000	$ 683,368	261,872	$ (284,298)	$ 660,942

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

Spirit Banner II Capital Corp.

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

	Nine Months Ended December 31, 2018
Operating activities	
Net loss for the period	**$ (243,124)**
Adjustments for:	
Stock based compensation	**192,990**
Changes in non-cash working capital items:	
Prepaid expenses and other receivable	**(7,569)**
Amounts payable and accrued liabilities	**31,284**
Net cash used in operating activities	**(26,419)**
Financing activities	
Share capital	**$ 424,750**
Net cash used in operating activities	**424,750**
Net change in period	**398,331**
Cash, beginning of period	**298,850**
Cash, end of period	**$ 697,181**

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

1. Incorporation and Nature of Business

Spirit Banner II Capital Corp. (the “Corporation”) was incorporated under the Business Corporation Act (Ontario) on September 29, 2017 and has applied to be classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The registered office of the Corporation is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5J 4A6.

On March 1, 2019, the Board of Directors approved the unaudited condensed interim financial statements for the three and nine months ended December 31, 2018.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies

Statement of compliance

These unaudited condensed interim financial statements of the Company have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed and do not include all of the information required for full annual financial statements. The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied in its most recent financial statements as at and for the period ended March 31, 2018. Results for the three and nine months ended December 31, 2018 are not necessarily indicative of future results.

New accounting standard adopted

<u>IFRS 9 - Financial Instruments</u>

On July 24, 2014, the IASB issued the completed IFRS 9 ("IFRS 9 (2014)") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on April 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on April 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Amounts receivable	Loans and receivable	Amortized cost
Amounts payable	Other financial liabilities (amortized cost)	Amortized cost
Accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

(Expressed in Canadian Dollars)

3. Common Shares

Authorized:

Unlimited number of common shares

Issued and fully paid:

		Number of Common Shares		Amount
Balance, March 31, 2018		6,600,000	$	327,500
Common shares issued in initial public offering		5,015,000		501,500
Transaction costs in the initial public offering	-			(76,750)
Broker options issued	-			(68,882)
Balance, December 31, 2018		**11,615,000**	**$**	**683,368**

Escrowed Shares

On October 26, 2017 the Corporation issued 1,100,000 common shares at $0.05 per share for total proceeds of $55,000.

On January 12, 2018 the Corporation issued 5,500,000 common shares at $0.05 per share for total proceeds of $275,000.

The issued and outstanding common shares before the initial public offering will be held in escrow pursuant to the requirements of the Exchange. 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

Initial Public Offering

On November 1, 2018, the Company completed its initial public offering (the “Offering”) of 5,015,000 common shares (“Common Shares”) in the capital of the Corporation at a purchase price of $0.10 per Common Share by way of a prospectus for gross proceeds of $501,500 and has listed on the Exchange.

Canaccord Genuity Corp. (the “Agent”) acted as Agent in connection with the Offering. For its services, the Agent received an administrative fee and a cash commission equal to 10% of the gross proceeds of the Offering. In addition, the Agent and members of its selling group received options to purchase an aggregate of 501,500 common shares of the Corporation (the “Agent's Shares”) of the Corporation at an exercise price of $0.10 per Agent's Share, exercisable for twenty-four (24) months from the date of issuance, whereupon the Agent's Shares will expire.

The fair value of the Broker options was estimated to be $68,882 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 100%; risk-free interest rate of 2.32%; and expected life of 2 years.

The Common Shares are now listed on the Exchange and its Common Shares commenced trading on November 5, 2018 under the trading symbol “SBTC.P”.

4. Contingency

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

5. Capital Management Objective and Policies

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

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

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

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

6. 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.

On November 1, 2018, the Corporation granted an aggregate of 1,161,500 stock options to its directors and officers at an exercise price of $0.10 per Common Share for a period of five years from the date of grant.

The fair value of the stock options was estimated to be $192,990 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 100%; risk-free interest rate of 2.41%; and expected life of 5 years.