

**Spirit Banner II Capital
Corp.**

(A Capital Pool Corporation)

Financial statements

**For the Year Ended
March 31, 2019 and for the period from
incorporation (September 29, 2017) to March 31,
2018**

(In Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Spirit Banner II Capital Corp.:

Opinion

We have audited the financial statements of Spirit Banner II Capital Corp. (the "Corporation"), which comprise the statements of financial position as at March 31, 2019 and March 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended March 31, 2019 and the period from September 29, 2017 (date of incorporation) to March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019 and March 31, 2018, and its financial performance and its cash flows for the year ended March 31, 2019 and the period from September 29, 2017 to March 31, 2018 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 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 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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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
July 29, 2019

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

Spirit Banner II Capital Corp.
Statements of Financial Position
As at March 31, 2019 and March 31, 2018
(in Canadian dollars)

As at	March 31, 2019	March 31, 2018
Assets		
Cash	\$ 640,878	\$ 298,850
Prepaid expenses	3,900	15,000
Total current assets	644,778	313,850
Liabilities		
Accounts payable and accrued liabilities	43,269	27,524
Total current liabilities	43,269	27,524
Shareholders' equity		
Share Capital, net of issuance costs (note 3)	720,172	327,500
Contributed surplus (note 3)	113,953	-
Accumulated deficit	(232,616)	(41,174)
Total Shareholders' equity	601,509	286,326
Total Liabilities and shareholders' equity	\$ 644,778	\$ 313,850

Approved on behalf of the Board

“Bataa Tumur-Ochir”
Director

“Matthew Wood”
Director

The accompanying notes are an integral part of these financial statements.

Spirit Banner II Capital Corp.**Statements of Loss and Comprehensive Loss****For the Year Ended March 31, 2019 and the Period from the Date of Incorporation (September 29, 2017) to March 31, 2018****(in Canadian dollars)**

	Year ended March 31, 2019	From the Date of Incorporation (September 29, 2017) to March 31, 2018
Expenses		
Professional fees	\$60,948	26,069
Listing Fees	20,193	14,901
General and office	23,026	204
Stock-based compensation	87,275	-
Total expenses	191,442	41,174
Net loss and comprehensive loss	\$ (191,442)	\$ (41,174)
Net loss and comprehensive loss per share (basic and diluted)	\$ (0.09)	\$ -
Weighted average number of shares outstanding (basic and diluted)	2,066,621	-

The accompanying notes are an integral part of these financial statements.

Spirit Banner II Capital Corp.**Statements of Changes in Shareholders' Equity****For the Year Ended March 31, 2019 and the Period from the Date of Incorporation (September 29, 2017) to March 31, 2018**

(in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
Balance at incorporation (September 29, 2017)	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares (Note 3)	6,600,000	330,000	-	-	330,000
Share issuance costs (Note 3)	-	(2,500)	-	-	(2,500)
Net loss for the period	-	-	-	(41,174)	(41,174)
Balance, March 31, 2018	6,600,000	327,500	\$ -	\$ (41,174)	\$ 286,326

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
Balance at April 1, 2018	6,600,000	\$ 327,500	\$ -	\$ (41,174)	\$ 286,326
Initial public offering (Note 3)	5,015,000	501,500	-	-	501,500
Issuance costs (Note 3)	-	(82,150)	-	-	(82,150)
Fair value of agent options (Note 3)	-	(26,678)	26,678	-	-
Stock-based compensation (Note 3)	-	-	87,275	-	87,275
Net loss for the year	-	-	-	(191,442)	(191,442)
Balance, March 31, 2019	11,615,000	\$ 720,172	\$ 113,953	\$ (232,616)	\$ 601,509

The accompanying notes are an integral part of these financial statements.

Spirit Banner II Capital Corp.**Statements of Cash Flows****For the Year Ended March 31, 2019 and the Period from the Date of Incorporation (September 29, 2017) to March 31, 2018**

(in Canadian dollars)

	Year ended March 31, 2019	For the period from the date of incorporation (September 29, 2017) to March 31, 2018
Cash provided by (used in)		
Operating Activities		
Net loss for the year/period	\$ (191,442)	\$ (41,174)
Stock-based compensation	87,275	-
Changes in non-cash working capital items:		
Change in prepaid expenses	11,100	(15,000)
Change in accounts payable and accrued liabilities	15,745	27,524
Cash Used In Operating Activities	(77,322)	(28,650)
Financing Activities		
Issuance of share capital	501,500	330,000
Offering Costs	(82,150)	(2,500)
Cash provided by Financing Activities	419,350	327,500
Net change in cash	342,028	298,850
Cash beginning of year/period	298,850	-
Cash end of year/period	\$ 640,878	\$ 298,850

The accompanying notes are an integral part of these financial statements.

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the Period from the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

1. INCORPORATION AND NATURE OF OPERATIONS

Spirit Banner II Capital Corp. (the "Corporation"), was incorporated under the Business Corporations Act (Ontario) on September 29, 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 prepaid expenses. 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 registered office of the corporation is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5H 4A6.

On July 29, 2019, the Board of Directors approved the financial statements for the year ended March 31, 2019 and for the period from the date of incorporation (September 29, 2017) to March 31, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

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 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.

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

The Corporation has implemented the following classifications:

Cash is classified as fair value through profit and loss and any period change in fair value is recorded in profit or loss.

Accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

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 is 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.

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Standards issued

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39").

IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The corporation adopted this standard on April 1, 2018, which had no impact on the financial statements.

3. SHARE CAPITAL

Authorized

Unlimited common

Issued	#	\$
6,600,000 common shares (i)	6,600,000	\$ 330,000
Share issuance costs	-	(2,500)
Balance, March 31, 2018	6,600,000	\$ 327,500
5,015,000 common shares (ii)	5,015,000	501,500
Share issuance costs--cash	-	(82,150)
Share issuance costs-share based payment	-	(26,678)
Balance, March 31, 2019	11,615,000	\$ 720,172

Escrowed Shares

(i) During the period ended March 31, 2018, the corporation issued 6,600,000 common shares at \$0.05 per share for total proceeds of \$330,000. The corporation incurred share issuance costs of \$2,500 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.

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

3. SHARE CAPITAL (continued)

Initial Public Offering

(ii) On November 1, 2018, the Corporation completed its Initial Public Offering (“IPO”) of 5,015,000 common shares at \$0.10 per share for total proceeds of \$501,500. 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 share issuance costs of \$82,150.

Options

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

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

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

The following table reflects the continuity of stock options:

	Number of Stock Options and Agent Options	Weighted Average Exercise Price (\$)
March 31, 2018	-	-
Issuance of options to the Agent(i)	501,500	\$0.10
Issuance of options to officers and directors (ii)	1,161,500	\$0.10
Balance, March 31, 2019	1,663,000	\$0.10

- i. On November 1, 2018, the Corporation granted 501,500 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 Agent 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 2.41%, expected volatility of 100% and an expected life of two years. The value attributed to these Agent options was \$26,678.
- ii. On November 1, 2018, the Corporation granted 1,161,500 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 2.32%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$87,275. The options vested immediately.

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

3. SHARE CAPITAL (continued)

The following table reflects the actual stock options issued and outstanding as of March 31, 2019:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
November 1, 2020	\$0.10	1.59	501,500	501,500
November 1, 2023	\$0.10	4.59	1,161,500	1,161,500
	\$0.10	3.69	1,663,000	1,663,000

4. 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.

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, and accounts payable 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.

5. RELATED PARTY TRANSACTIONS

Stock-based compensation expense of \$87,275 is attributable to options issued to directors and officers.

There were no other related party transactions and no remuneration was paid to key management personnel during the year ended March 31, 2019 (2018 - \$nil).

Spirit Banner II Capital Corp.

Notes to the Financial Statements

For the Year Ended March 31, 2019 and for the period From the Date of Incorporation (September 29, 2017) to March 31, 2018

(in Canadian dollars)

6. 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	\$ (191,442)	\$(41,174)
Expected income tax recovery	(50,732)	(10,911)
Share-based compensation	23,128	-
Share issuance costs booked to equity	(21,770)	(663)
Deferred tax assets not recognized	49,374	11,574
Income tax recovery	\$ -	\$ -

At March 31, 2019, the Corporation had non-capital loss for income tax purposes of approximately \$162,771 (2018 - \$41,674) which can be carried forward to be applied against future taxable income. Losses of \$41,674 expire to the extent unutilized against future taxable income in 2038, and the residual losses of \$121,097 expire to the extent unutilized against future taxable income in 2039. The Corporation also had approximately \$67,220 (2018 - \$2,000) in undeducted share issuance costs, which will be expensed for tax purposes over the next five 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.

7. QUALIFYING TRANSACTION

On March 21, 2019 the Company entered into a Binding Letter of Intent with Five Star Diamonds Ltd. (the "Five Star") which outlines the terms and conditions pursuant to which Five Star and the Company will complete a transaction that will result in the Company acquiring all of Five Star's diamond projects in Brazil and Five Star continuing as a royalty and stream company (the "Proposed Transaction"). The Proposed Transaction will, if completed, constitute the Company's "Qualifying Transaction" as such term is defined in Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange (the "TSXV").

The Proposed Transaction is expected to involve the acquisition by the Company of all of the issued and outstanding shares of FSD Brazil Ltd., all of which are owned by Five Star Holdings Ltd. ("FS Holdings"), a direct wholly-owned subsidiary of Five Star, in exchange for an aggregate of 100,000,000 the Company Shares (the "Consideration Shares"), \$250,000 in cash, a 3% net smelter returns royalty over the Catalao Project and a 1.5% net smelter returns royalty over all other diamond projects acquired. It is currently planned that the Consideration Shares will be subsequently distributed on a pro rata basis to the shareholders of Five Star (the "Five Star Shareholders"). Five Star's outstanding securities exercisable or exchangeable for, or convertible into, or other rights to acquire common shares of Five Star ("Five Star Shares") will be adjusted according to their terms to reflect the distribution of the Consideration Shares to Five Star Shareholders.

Subject to TSXV approval, Spirit Banner II has agreed to advance to Five Star as soon as possible after the date hereof a refundable deposit of \$225,000, which will be credited towards the cash portion of the purchase price on the closing of the Proposed Transaction. On April 4, 2019 the Company advanced \$25,000 to Five Star.