

E36 Capital Corp.
(A Capital Pool Corporation)

Condensed Interim Financial Statements

(in Canadian Dollars)

For the three months ended September 30, 2019

E36 Capital Corp
Condensed Interim Statement of Comprehensive Loss
(unaudited)
(in Canadian Dollars)

For the three
months
ended
September
30, 2019

General and administrative expenses

Office expenses	\$	110
Filing fees		10,971
Professional fees		62
Total expenses		11,143

Comprehensive loss for the period \$ **(11,143)**

Basic and diluted loss per share \$ **(0.04)**

Weighted average number of shares outstanding **250,000**

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

E36 Capital Corp.
Condensed Interim Statements of Shareholders' Equity
(unaudited)
(in Canadian Dollars)
For the three months ended September 30, 2019

	Number of Shares	Share Capital	Deficit	Shareholders' Equity
Balance at March 6, 2019	-	\$ -	\$ -	\$ -
Share issuance	2,575,000	147,500	-	147,500
Net loss	-	-	(5,075)	(16,218)
Balance at June 30, 2019	2,575,000	147,500	(5,075)	131,282
Net loss	-	-	(11,143)	-
Balance at September 30, 2019	2,575,000	\$ 147,500	\$ (16,218)	\$ 131,282

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

E36 Capital Corp.
Condensed Interim Statement of Cash Flows
(unaudited)
(in Canadian Dollars)
For the three months ended September 30, 2019

Operating activities		
Loss for the period	\$	(11,143)
Changes in non-cash working capital		
GST receivable		(253)
Accrued Liabilities		(5,000)
		<hr/>
		(16,396)
Cash, beginning of period		<hr/> 137,425
Cash, end of period	\$	<hr/> 121,029

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

E36 Capital Corp.

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended September 30, 2019

(in Canadian Dollars)

1. INCORPORATION AND NATURE OF BUSINESS

E36 Capital Corp. (the "Corporation") was incorporated under the Business Corporation Act (British Columbia) on March 6, 2019 and has applied to be classified as a Capital Pool Corporation ("CPC") 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 488 – 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

On November 29, 2019, the Board of Directors approved the financial statements for the three months ended September 30, 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed financial statements have been prepared by management of the Corporation in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", following the same accounting principles and methods of computation as outlined in the Corporation's financial statements for the period ended June 30, 2019. These unaudited condensed financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed financial statements should be read in conjunction with the most recent audited financial statements and the notes thereto for the period ended June 30, 2019.

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.

E36 Capital Corp.

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended September 30, 2019

(in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share

Basic earnings loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares in escrow. Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding.

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 income 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 income.

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

The Corporation has implemented the following classifications:

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

Accounts payable and accrued liabilities are classified as financial liabilities 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.

E36 Capital Corp.

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended September 30, 2019

(in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income (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 statement of financial position whereas other financial assets (GST receivables) are classified as Level 2.

Share Issuance Costs

Share issuance costs relate to expenditures incurred in connection with the Corporation's share issuance (note 3) and are charged against share capital.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended September 30, 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Options

The Corporation has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and fully paid:

	Number of Shares		Amount
Issuance of common shares	2,575,000	\$	147,500
Balance, September 30, 2019	2,575,000	\$	147,500

Escrowed shares:

Of the issued and outstanding common shares 2,325,000 will be held in escrow pursuant to the requirements of the Exchange. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

Stock options:

The Corporation has a stock option plan whereby the Corporation is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Corporation. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the Exchange policies, and provided that, if the Corporation is a CPC, the option price shall not be lower than the initial public offering (“IPO”) Share Price. The options can be granted for a maximum term of 10 years.

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3. SHARE CAPITAL (cont.)

All common shares acquired on exercise of stock options granted to directors and officers 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 until the exchange bulletin is issued.

Loss per share:

Upon the Corporation completing its planned IPO, the common shares issued to the Corporation's founders will be subject to an escrow agreement and may be cancelled in the event that the Corporation is unable to complete its Qualifying Transaction within 24 months. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of loss per share. As at September 30, 2019, the Corporation had 2,325,000 common shares subject to escrow.

4. 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.

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5. FINANCIAL INSTRUMENTS*Fair Values*

At September 30, 2019, the Corporation's financial instruments consist of cash and GST receivable. The fair values of this financial instrument approximates it's carrying value due to the relatively short-term maturity of the instrument which is payable within one year.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the corporation's liabilities.

6. SUBSEQUENT EVENTS

The Corporation is in the process of filing its amended and restated prospectus and is proposing to issue 3,500,000 common shares, in the capital of the Corporation, at a price of \$0.10 per share, for aggregate gross proceeds of \$350,000.

Pursuant to an agency agreement, Haywood Securities Inc. (the "Agent") will receive 8% of the gross proceeds of the offering as well as compensation options to acquire up to 8% of the number of offered shares sold under the offering at a price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the Corporation's common shares on the Exchange (the "Listing Date"). The Agent received a \$10,000 retainer to cover the Agent's reasonable expenses and legal fees, which has been paid as of September 30, 2019.

The Corporation also intends to grant stock options concurrently with the Closing of the IPO, to purchase an aggregate of 600,000 common shares, to current directors and current officers of the Corporation. Such options will be exercisable at \$0.10 per common share for a period of ten years from the Listing Date.