

E36 Capital Corp.
(A Capital Pool Corporation)
Financial Statements
Years ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of E36 Capital Corp.

Opinion

We have audited the financial statements of E36 Capital Corp. (the "Company"), which comprise the statements of financial position as at June 30, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 Company in accordance with the ethical requirements that are relevant to our audit 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

September 3, 2020



An independent firm
associated with Moore
Global Network Limited

E36 Capital Corp.
Statements of Comprehensive Loss
(in Canadian Dollars)

For the period from the
Date of Incorporation
(March 6, 2019) to June
30, 2019

	Note	Year ended June 30, 2020		30, 2019
General and administrative expenses and interest income				
Office expenses		\$ 5,044	\$	75
Filing and Listing fees		24,512		-
Share based compensation	4	53,669		-
Professional fees		7,500		5,000
Interest income		(685)		-
Total expenses		90,040		5,075
Comprehensive loss for the period		\$ (90,040)	\$	(5,075)
Basic and diluted loss per share		\$ (0.06)	\$	(0.04)
Weighted average number of shares outstanding (Basic and Diluted)		1,479,452		114,224

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

E36 Capital Corp.**Statements of Shareholders' Equity**

(in Canadian Dollars)

From the Date of Incorporation (March 6, 2019) to June 30, 2020

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity
Balance at March 6, 2019	-	\$ -	\$ -	\$ -	\$ -
Share issuance	2,575,000	147,500	-	-	147,500
Net loss	-	-	-	(5,075)	(5,075)
Balance at June 30, 2019	2,575,000	147,500	-	(5,075)	142,425
Initial public offering	3,500,000	350,000	-	-	350,000
Offering costs (cash)	-	(53,400)	-	-	(53,400)
Fair value of agent warrants	-	(14,776)	14,776	-	-
Share based compensation	-	-	53,669	-	53,669
Net loss	-	-	-	(90,040)	(90,040)
Balance at June 30, 2020	6,075,000	\$ 429,324	\$ 68,445	\$ (95,115)	\$ 402,654

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

E36 Capital Corp.
Statements of Cash Flows
(in Canadian Dollars)

	Year ended June 30, 2020	For the period from the Date of Incorporation (March 6, 2019) to June 30, 2019
Operating activities		
Loss	\$ (90,040)	\$ (5,075)
Share based compensation	53,669	-
Changes in non-cash working capital		
GST receivable	(2,168)	-
Deposits	(16,016)	(10,000)
Accrued Liabilities	1,000	5,000
Cash used in operating activities	(53,555)	(10,075)
Financing activities		
Shares issued	350,000	147,500
Share issuance costs	(53,400)	-
Cash provided by financing activities	296,600	147,500
Change in cash	243,045	137,425
Cash, beginning	137,425	-
Cash, ending	\$ 380,470	\$ 137,425

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

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 2500 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

On September 3, 2020, the Board of Directors approved the financial statements for the year ended June 30, 2020.

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 consolidated 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of expenses during the period. Actual results could differ from those estimates used in the financial statements.

i. Share-based compensation

The Corporation determines the fair value of stock options granted using the Black Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility and expected life of the option. Changes in these inputs and the underlying assumption used to develop them can materially affect the fair value estimate.

ii. Income taxes

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and apply those findings to the Corporation's transactions.

Accounting standards adopted

New standard IFRS 16 "Leases" On July 1 2019, the Corporation adopted IFRS 16 which replaced IAS 17 "Leases" and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Corporation's financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize an ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions represent leases. The Corporation applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed, on or after July 1, 2019.

Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;

The rent payments associated with month to month rent are \$1,500 per month. For the year ended June 30, 2020, the Corporation reported \$4,500 as rent expense.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Corporation recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income (loss) over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation expense.

E36 Capital Corp.
Notes to the Financial Statements
For the year ended June 30, 2020
(Expressed in Canadian Dollars)

3. DEPOSITS

The Corporation has made deposits for project due diligence and planning preparation.

4. SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued	Number of Shares	\$
2,325,000 common shares ⁱ	2,325,000	122,500
3,750,000 common shares ⁱⁱ	3,750,000	375,000
Cost of issuance – cash		(53,400)
Cost of issuance – share based payment		(14,776)
Balance, June 30, 2020	6,075,000	429,324

i. Escrowed shares:

Of the issued and outstanding common shares 2,275,000 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 nine 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.

ii. Initial Public Offering and private placements

On February 28, 2020, the Corporation completed its initial public offering (the “Offering”) of 3,500,000 common shares at a purchase price of \$0.10 per common share for aggregate gross proceeds of \$350,000. The Company incurred share issue costs of \$53,400 and issued 280,000 broker warrants with an exercise price of \$0.10 per warrant in the Offering. During the period ended June 30, 2019, the Corporation issued 2,200,000 common shares at a price of \$0.05 per share and 375,000 shares at \$0.10 per share.

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.

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.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and warrants	Weighted Average Exercise Price (\$)
July 1, 2019	-	-
Granted (i)	280,000	\$0.10
Granted to directors and officers (ii)	600,000	\$0.10
Balance as at June 30, 2020	880,000	\$0.10

E36 Capital Corp.
Notes to the Financial Statements
For the year ended June 30, 2020
(Expressed in Canadian Dollars)

3. SHARE CAPITAL (cont.)

- i. On February 28, 2020, the Corporation granted 280,000 warrants to Haywood Securities Inc. ('Agent'), which is exercisable at an exercise price of \$0.10 per share for a period of 24 months following the date that the common shares are listed on the Exchange. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.51%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$14,776.
- ii. On February 28, 2020, the Corporation granted 600,000 options to directors and officers, which are exercisable with no vesting period within ten years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.51%, expected volatility of 100% and an expected life of ten years. The value attributed to these options was \$53,669.

The following table reflects the actual options issued and outstanding as of June 30, 2020:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
February 28, 2022	\$0.10	1.7	280,000	280,000
February 28, 2030	\$0.10	9.7	600,000	600,000
			880,000	880,000

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.

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.

5. FINANCIAL INSTRUMENTS

Fair Values

At June 30, 2020, the Corporation's financial instruments consist of cash, GST receivable and accrued liabilities. The fair values of these financial instruments approximate their 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. RELATED PARTY TRANSACTIONS

With the exception of the stock options granted in Note 1, there was no cash remuneration paid to the Corporation's directors and officers ("key management personnel") during the period ended June 30, 2020.

E36 Capital Corp.
Notes to the Financial Statements
For the year ended June 30, 2020
(Expressed in Canadian Dollars)

7. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 27% and the Corporation's effective income tax expense is as follows:

	2020	2019
Net loss	\$ 90,040	\$ 5,075
Statutory tax rate	27%	27%
Expected income tax recovery	(24,311)	(1,370)
Non-deductible expenditures	14,491	-
Share issuance costs	(11,534)	-
Other	-	270
Change in unrecognized deferred asset	21,355	(1,640)
Total income tax recovery	-	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2020	2019
Deferred tax assets (liabilities)		
Share issuance costs	11,534	-
Non-capital losses	11,190	1,370
	22,725	1,370
Unrecognized deferred tax assets	\$ (22,725)	\$ (1,370)
Net deferred tax assets	-	-

At June 30, 2020, the Corporation has non – capital losses for income tax purposes of approximately \$41,446 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income in 2039.

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