

ENDURANCE CAPITAL CORP.
(A Capital Pool Company)

**Condensed Interim Financial
Statements**

For the three months ended March 31, 2022
(in Canadian dollars)

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's audit

Endurance Capital Corp.

(A Capital Pool Company)

Balance Sheet

(in Canadian dollars)

	As at March 31, 2022	As at December 31, 2021
Assets		
Cash and cash equivalents	\$ 815,822	\$ 825,750
Goods and services tax receivable	6,324	5,882
Prepaid expenses	-	498
	\$ 822,146	\$ 832,130
Liabilities		
Accounts payable and accrued liabilities	\$ 26,770	\$ 24,175
Shareholders' Equity		
Share capital (note 3)	\$ 849,502	\$ 849,502
Contributed surplus	88,571	88,571
Warrant reserve	14,608	14,608
Accumulated deficit	(157,305)	(144,726)
	\$ 795,376	\$ 807,955
Total Liabilities and Shareholders' Equity	\$ 822,146	\$ 832,130

Nature of operations (note 1)

Approved by the Board of Directors

"David Demers"

Director

"Issa Nakhleh"

Director

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Statement of Loss and Comprehensive Loss

(in Canadian dollars)

	Three Months Ended March 31, 2022	From Incorporation on March 29, 2021 to March 31, 2021
Operating and administrative expenses		
Professional fees	\$ 12,028	\$ nil
Other expenses	551	nil
Net loss and comprehensive loss for the period	\$ 12,579	\$ nil
Net loss per share		
Basic and diluted	\$ nil	\$ nil
Weighted average number of common shares outstanding		
Basic and diluted	13,600,000	nil

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Statement of Changes in Equity

(in Canadian dollars)

	Number of common shares (fully paid)	Share capital	Contributed surplus	Warrant reserve	Deficit	Total
(note 3)		\$	\$	\$	\$	\$
Balance at March 31 2021	-	-	-	-	-	-
Private placement	7,600,000	380,000	-	-	-	380,000
Initial public offering	4,000,000	400,000	-	-	-	400,000
Private placement	2,000,000	200,000	-	-	-	200,000
Share issue costs	-	(115,890)	-	-	-	(115,890)
Warrants issued	-	(14,608)	-	14,608	-	-
Stock options issued	-	-	88,571	-	-	88,571
Net loss for the period	-	-	-	-	(144,726)	(144,726)
Balance at December 31, 2021	13,600,000	849,502	88,571	14,608	(144,726)	807,955
Net loss for the period	-	-	-	-	(12,579)	(12,579)
Balance at March 31, 2022	13,600,000	849,502	88,571	14,608	(157,305)	795,376

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Statement of Cash Flows

(in Canadian dollars)

	Three Months Ended March 31, 2022	From Incorporation on March 29, 2021 to March 31, 2021
Cash provided by (used in)		
Cash flows from operating activities		
Net loss for the period	\$ (12,579)	\$ nil
Changes in non-cash working capital		
Prepaid expenses	498	nil
Goods and services tax receivable	(442)	nil
Accounts payable and accrued liabilities	2,595	nil
	\$ (9,928)	\$ nil
Decrease in cash in the period	\$ (9,928)	\$ nil
Cash and cash equivalents at beginning of period	825,750	
Cash and cash equivalents at end of period	\$ 815,822	\$ nil

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Notes to Condensed Interim Financial Statements

(in Canadian dollars)

For the Three Months Ended March 31, 2022

1 Nature of Operations

Endurance Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on March 29, 2021. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction (“QT”) and, once identified and evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company has not commenced commercial operations and has no significant assets other than cash and cash equivalents.

The Company’s common shares commenced trading as a Capital Pool Company on Tier 2 of the TSX Venture Exchange on September 13, 2021 under the symbol ECAP.P.

The registered and records office is located at 1500, 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2 Basis of presentation and significant accounting policies

Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis of presentation

These interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

Significant accounting policies

a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

i) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

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At present, the Company classifies all financial assets as held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through OCI ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of loss and comprehensive loss in the period in which it arises.

ii) Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company has not designated any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

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b) Cash and cash equivalents

Cash and cash equivalents include cash on hand held in banks.

c) Net loss per share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The effect of the conversion of stock options and warrants would be anti-dilutive, making the basic and diluted loss per share equal.

d) Income taxes

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 are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company's accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings. Deferred income tax assets are recorded in the financial statements if realization is considered more likely than not. A deferred tax asset is recognized when the Company considers it is probable that it will be recovered.

e) Share issuance costs

Costs directly attributable to the raising of capital are charged against the related share capital.

Key sources of estimation uncertainty

The preparation of financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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3 Share capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

On April 29, 2021, certain directors and officers of the Company subscribed for 3,000,000 common shares of the Company at \$0.05 per share, for total receipts of \$150,000. No costs were incurred in connection with this share issuance. 4,600,000 common shares of the Company at \$0.05 per share were also subscribed for by persons other than directors and officers of the Company for total proceeds of \$230,000. No other costs were incurred in connection with this share issuance. All 7,600,000 of these common shares were placed into escrow pursuant to an escrow agreement upon the close of the Initial Public Offering ("IPO") described below. Under the escrow agreement, 25% of the escrow shares will be released from escrow on the date of issuance of the Final QT Exchange Bulletin upon completion of a QT (the "Initial Release"), and an additional 25% will be released every six months following the Initial Release over a period of 18 months.

On September 9, 2021, the Company completed its IPO of 4,000,000 common shares of the Company at \$0.10 per share, for total receipts of \$400,000. 50,000 of these common shares were acquired by a director of the Company, for proceeds of \$5,000. The net proceeds from this IPO were \$284,110, after deducting \$115,890 of share issue costs that consisted of legal and audit fees, a corporate finance fee of \$10,000 and a broker commission of 7% of the gross proceeds and other broker expenses. In addition, \$14,608 of non-cash costs were incurred in connection with the issuance of warrants described below.

On September 9, 2021, the Company completed a private placement for 2,000,000 common shares of the Company at \$0.10 per share, for total receipts of \$200,000. No costs were incurred in connection with this share issuance.

c) Warrants issued

Upon the close of the IPO described above, the Company granted 280,000 non-transferable warrants to the broker, entitling the broker to purchase that number of common shares equal to 7% of the number of common shares sold under the Offering at a price of \$0.10 for a period of two years from the date the common shares are listed on the TSX-V.

The fair value of the warrants was estimated at \$0.0522 per option at the grant date using the Black-Scholes option pricing model. The valuation was based on an average expected life of the warrants of 2 years, a risk-free interest rate of 0.25% and an expected volatility of 100%. The fair value of the warrants of \$14,608 was recorded upon issuance as a warrant reserve and as a share issue cost deducted from share capital.

4 Share-based payments

The Company issued 1,200,000 stock options to directors and officers of the Company on September 9, 2021, upon the close of the IPO and Private Placement described in Note 3(b). The options vested immediately and are exercisable into common shares of the Company at an exercise price of \$0.10, which was the fair value of the shares at the time that the options were issued.

The fair value of the stock options was estimated at \$0.0738 per option at the grant date using the Black-Scholes option pricing model. The option valuation was based on an average expected option

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life of 5 years, a risk-free interest rate of 0.25% and an expected volatility of 100%. The Company recognized a share-based payments expense of \$88,571 with respect to these options on the grant date.

5 Related party transactions

Key management personnel consist of officers and directors of the Company. No compensation was paid to key management personnel during the current period.

6 Financial instruments

As at March 31, 2022 the Company's financial instruments consist of cash and cash equivalents and accounts payable. The Company classifies cash and cash equivalents as financial assets measured at amortized cost. The Company classifies accounts payable as financial liabilities held at amortized cost.

The fair value of these financial instruments approximates their carrying value due to the short term to maturity and the insignificant impact of the Company's own credit risk and counterparty credit risk on the fair value of accounts payable and cash and cash equivalents, respectively.

The risk exposure arising from these financial instruments is summarized as follows:

a) Credit risk

The Company holds all cash balances with a highly rated Canadian financial institution, thereby minimizing the Company's credit risk.

b) Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to have sufficient liquidity to meet its liabilities when due.

7 Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification and evaluation of a QT. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Additional funds may be required to finance the Company's QT. In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, including reasonable general and administrative expenses that do not exceed an aggregate of \$3,000 per month. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange.