

AUDREY CAPITAL CORPORATION

FINANCIAL STATEMENTS

For the period from incorporation on March 9, 2021 to September 30, 2021

(Stated in Canadian dollars)

(unaudited)

AUDREY CAPITAL CORPORATION

NOTICE TO READER

The accompanying condensed interim financial statements of Audrey Capital Corporation for the period from incorporation on March 9, 2021 to September 30, 2021, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

In accordance with National Instrument 52-102 released by the Canadian Securities Administrators, the Company discloses that its external auditor has not reviewed these condensed interim financial statements.

AUDREY CAPITAL CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Stated in Canadian dollars, unaudited)

	Note	Three months ended September 30, 2021	From Incorporation on March 9, 2021 to September 30, 2021
EXPENSES			
Professional fees		\$ 6,161	\$ 22,175
General & administrative		9,061	18,193
Filing fees		463	11,196
Loss and comprehensive loss for the period		\$ (15,685)	\$ (51,564)
Loss per share – basic and diluted	4(b)	\$ (0.001)	\$ (0.004)
Weighted average number of common shares outstanding – basic and diluted		13,352,174	11,807,317

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

AUDREY CAPITAL CORPORATION
STATEMENT OF CASH FLOWS
(Stated in Canadian dollars, unaudited)

	Note	From Incorporation on March 9, 2021 to September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period		\$ (51,564)
Changes in non-cash working capital items:		
GST receivable		(1,162)
Accounts payable and accrued liabilities		18,000
		<u>(34,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued, net of issue costs	4(b)	675,000
Deferred financing costs		(48,206)
		<u>626,794</u>
Change in cash during the period		592,068
Cash, beginning of the period		-
Cash, end of the period		\$ 592,068

Non-cash investing and financing activities:

Except for \$36,940 related to deferred financing costs included in accounts payable, there were no non-cash investing or financing activities during the period from incorporation on March 9, 2021 to September 30, 2021.

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

AUDREY CAPITAL CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Stated in Canadian dollars, unaudited)

	Note	Number of Shares	Share Capital	Deficit	Total
Balance, March 9, 2021		-	\$ -	\$ -	-
Shares issued, net of issue costs	4(b)	13,500,000	675,000	-	675,000
Loss and comprehensive loss		-	-	(51,564)	(51,564)
Balance, September 30, 2021		13,500,000	\$ 675,000	\$ (51,564)	\$ 623,436

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

AUDREY CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON MARCH 9, 2021 TO SEPTEMBER 30, 2021

(Stated in Canadian dollars, unaudited)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Audrey Capital Corporation (the “Company”) was incorporated on March 9, 2021 under the Business Corporations Act of British Columbia. The Company intends to complete an Initial Public Offering (the “IPO”), after which it will become a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. As a CPC, the Company’s objective will be to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V. Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V filing requirements, professional services, and office facilities and administration, subject to certain restrictions under TSX-V Policy 2.4. Additional discussion on these restrictions is included in Note 7.

The Company’s registered office address and principal place of business is Suite 905 – 1111 West Hastings Street, Vancouver, BC, Canada, V6E 2J3.

On May 4, 2021, the Company entered into a letter of intent with Canaccord Genuity Capital Markets (“Canaccord”) pursuant to which Canaccord would act as the Company’s agent for the IPO. Under the terms of the IPO, the Company would offer 5,000,000 of its common shares at a price of \$0.10 per share for up to \$500,000 in gross proceeds. As compensation for agency services, Canaccord would receive a cash commission of 10% of the gross IPO proceeds, a \$50,000 finance fee, reimbursement for out-of-pocket expenses, and 50,000 agent’s warrants (the “Agent’s Warrants”). Each Agent’s Warrant would be exercisable to purchase an additional common share in the Company at a price of \$0.10 for a 60-month period following the completion of the IPO. The Company filed its final prospectus on September 27, 2021. In connection with this offering, the Company incurred deferred financing costs of \$85,146 as at September 30, 2021.

As at September 30, 2021, the Company had cash of \$592,068, which the Company’s management believes is sufficient to pay its operating costs for the next 12 months.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the virus. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

AUDREY CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON MARCH 9, 2021 TO SEPTEMBER 30, 2021

(Stated in Canadian dollars, unaudited)

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – *Interim Financial Reporting* and, accordingly, they do not contain all of the information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, they should be read in conjunction with the Company’s audited financial statements for the period from incorporation on March 9, 2021 to June 30, 2021, which have been prepared in accordance with IFRS.

These unaudited condensed interim financial statements have been prepared using the accounting policies set out in the most recent audited financial statements for the period from incorporation on March 9, 2021 to June 30, 2021.

b) Basis of Measurement

These unaudited condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Comparative Period Information

The Company was incorporated on March 9, 2021 and these are the first year of financial statements to be prepared for the Company. As a result, no comparative period information is provided.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company for the period from incorporation on March 9, 2021 to June 30, 2021.

Accounting Standards Adopted During the Period

There are no new IFRS adopted during the period.

Accounting standards and interpretations issued but not yet effective

There are no new IFRS that are not yet effective that would be expected to have a material impact on the Company as at September 30, 2021.

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4. SHAREHOLDERS' EQUITY

a) Authorized Share Capital

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

b) Share Issuance

On March 31, 2021, the Company closed a private placement for 13,100,000 shares at a price of \$0.05 per share for total proceeds of \$655,000 (the "Seed Shares").

On August 3, 2021 the Company closed an additional private placement for an additional 400,000 seed shares at a price of \$0.05 per share for total proceeds of \$20,000.

Upon completion of the IPO and reclassification of the Company as a CPC, the Seed Shares will be transferred to escrow and will be released ratably over an 18-month period following the completion of a Qualifying Transaction.

c) Stock Options

On May 12, 2021, the Board of Directors adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Corporation may, from time to time in its discretion and in accordance with TSX-V regulations, grant to Directors, Officers, employees, or Management Company employees and consultants to the Corporation, non-transferrable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of the grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On the Initial Public Offering date, the Company will grant 1,800,000 stock options to Directors and Officers of the Company, exercisable at a price of \$0.10 for a five-year period following the date of their grant.

There were no options granted during the period from incorporation on March 9, 2021 to September 30, 2021.

5. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the amounts agreed upon by the parties. Related party transactions for the period from incorporation on March 9, 2021 to September 30, 2021 are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$18,000 for the period from incorporation on March 9, 2021 to September 30, 2021.
- b) Farris LLP, in which two Directors, Jay Sujir and Peter Roth are partners, provided legal services to the Company in the amount of \$74,321 for the period from incorporation on March 9, 2021 to September 30, 2021.

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6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has designated its cash as a financial asset at amortized cost.

a) Fair Value

Management assessed that the fair values of cash, GST receivables, and accounts payable approximate their carrying amounts, largely due to the short-term maturity of these instruments. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

b) Financial Risk Management

Credit Risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is attributable to its liquid financial assets including cash. The Company limits exposure to credit risk by maintaining its cash with a major Canadian financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital to meet short-term business requirements, taking into consideration cash flows from operations and the Company's holdings of cash, as well as anticipated proceeds from equity financing. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding may be required to meet long-term requirements. As at September 30, 2021, the Company had cash of \$592,068 to settle current trade liabilities of \$54,940. The Company's financial liabilities include trade payables that have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

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7. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2021, the Company's shareholders' equity was \$623,436 and it had current liabilities of \$54,940. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements, and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which apply on completion of the IPO. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on reasonable general and administrative costs of the Company not exceeding in aggregate of \$3,000 per month, and reasonable expenses incurred related to a Qualifying Transaction.