

# **AUDREY CAPITAL CORPORATION**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Audrey Capital Corporation ("Audrey" or the "Company") during the period from incorporation on March 9, 2021 to September 30, 2021 and to the date of this report. This MD&A supplements, but does not form part of, the unaudited condensed interim financial statements of the Company and the notes thereto for the period from incorporation on March 9, 2021 to September 30, 2021. This MD&A should be read in conjunction with the audited condensed interim financial statements for the period from incorporation on March 9, 2021 to June 30, 2021 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are stated in Canadian dollars unless otherwise indicated.

Additional information related to Audrey is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A contains information up to and including November 12, 2021.

### **FORWARD-LOOKING INFORMATION**

Certain statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 7 of this MD&A.

### **COMPANY OVERVIEW**

The Company was incorporated on March 9, 2021 under the Business Corporations Act of British Columbia. The Company filed its final prospectus on SEDAR on September 27, 2021 is classified as a reporting issuer under the British Columbia Securities Commission ("BCSC").

The Company's Initial Public Offering (the "IPO") is pending completion, after which the Company will be classified as 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.

### **COMPANY DEVELOPMENTS AND OUTLOOK**

On September 27, 2021, the Company filed its final prospectus on SEDAR, and is in the process of completing its IPO.

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**RESULTS OF OPERATIONS****For the three months ended September 30, 2021**

The Company incurred a net loss of \$15,685 for the three months ended September 30, 2021.

The following is summary of operating costs:

	<b>Three months ended September 30, 2021</b>	
<b>EXPENSES</b>		
Professional fees	\$	6,161
General & Administrative		9,061
Filing fees		463
Total operating expenses	\$	15,685

The significant expenditures in the period can be described as follows:

- Accrual of audit fees in the amount of \$6,000.
- Accounting and administrative fees and reimbursements in the amount of \$9,000.

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

The Company incurred a net loss of \$51,564 for the period from incorporation on March 9, 2021 to September 30, 2021.

The following is a summary of operating costs:

	<b>From incorporation on March 9, 2021 to September 30, 2020</b>	
<b>EXPENSES</b>		
Professional fees	\$	22,175
General & Administrative		18,193
Filing fees		11,196
Total operating expenses	\$	51,564

The significant expenditures in the period can be described as follows:

- Accrual of audit fees in the amount of \$18,000; legal fees associated with the IPO process of \$4,175.
- Accounting and administrative fees and reimbursements in the amount of \$18,000.
- SEDAR filing fees in the amount of \$10,692.

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**SUMMARY OF QUARTERLY RESULTS**

The following is a summary of quarterly results for the three most recently completed quarters since incorporation on March 9, 2021. These results are taken from the unaudited condensed interim financial statements of the Company, which are prepared in accordance with IFRS applicable to interim financial statements.

	<b>Three months ended September 30, 2021</b>	<b>Three months ended June 30, 2021</b>	<b>From incorporation on March 9, 2021 to March 31, 2021</b>
Loss for the period	\$ 15,685	\$ 29,362	\$ 6,517
Loss per share – basic and diluted	\$ 0.001	\$ 0.002	0.002

The Results of Operations section above provides information regarding the significant expenditures for the period from incorporation on March 9, 2021 to September 30, 2021. During the period from incorporation on March 9, 2021 to March 31, 2021 the Company incurred costs related to incorporation and accrued costs for the Company's initial audit related to the Company's IPO. During the three months ended June 30, 2021, the Company incurred costs related to filing fees, accounting and administrative fees and reimbursements, legal costs, and accrued costs for the annual audit. During the three months ended September 30, 2021, the Company incurred costs related to accounting and administrative fees and reimbursements and accrued costs for the annual audit.

**LIQUIDITY AND CAPITAL RESOURCES**

<b>As at:</b>	<b>September 30, 2021</b>
Working capital	\$ 623,436
Total assets	678,376
Total liabilities	54,940
Share capital	675,000
Contributed surplus	-
Deficit	(51,564)

The Company had cash of \$592,068 as at September 30, 2021.

At present, the Company has no operations that generate cash flow and its financial success is dependent on the Company's ability to successfully raise required funding through future equity issuances, asset sales, or a combination thereof.

Many factors influence the Company's ability to raise funds, including the health of global prices, the Company's track record, and the experience and quality of its management team. The Company relies on equity financings and the exercise of options and warrants to fund its acquisitions and its general and administrative expenses.

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There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favorable. To date, the Company has not used debt or other means of financing to further its operations, and the Company has no plans to use debt financing at the present time.

#### **OUTSTANDING SHARE DATA**

Refer to Note 4 of the Company's unaudited condensed interim financial statements for the period from incorporation on March 9, 2021 to September 30, 2021.

##### **a) Common Shares**

As at September 30, 2021, and as at the date of this MD&A, the Company had 13,500,000 common shares issued and outstanding. Upon completion of the IPO and reclassification of the Company as a Capital Pool Corporation ("CPC"), these Seed Shares will be transferred to escrow and will be released ratably over an 18-month period following the completion of the Company's Qualifying Transaction.

##### **b) 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 Company 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 Company, 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 IPO 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.

#### **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.

#### **FINANCIAL INSTRUMENTS**

Refer to Note 6 of the Company's condensed interim financial statements for the period from incorporation on March 9, 2021 to September 30, 2021 for disclosure regarding the Company's financial

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instruments. The Company has designated its cash and amounts receivable as financial assets at amortized cost and accounts payable and accrued liabilities as financial liabilities at amortized cost.

#### **Fair Value**

Management has assessed that fair values of cash, GST receivables, and accounts payable and accrued liabilities approximate their carrying amounts, largely due to the short-term maturities 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.

As at September 30, 2021, the fair value of cash held by the Company was classified as Level 1 of the fair value hierarchy.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

#### **CONTINGENCIES**

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The accounting estimates and judgments considered to be significant to the Company include the computation of share-based payments expense and warrants.

The Company uses the fair-value method of accounting for incentive stock options and warrants granted, modified, or settled. Under this method, the costs attributable to options granted are measured at fair value at the grant date and expensed over the vesting period. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options, and an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the share-based payments costs being less than or greater than the amount recorded. In determining the fair value of the warrants, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate.

#### **CHANGES IN ACCOUNTING POLICIES**

The Company has not made any changes to accounting policies during period from incorporation on March 9, 2021 to September 30, 2021. Refer to Note 3 of the Company's audited interim financial statements for the period from incorporation on March 9, 2021 to June 30, 2021.

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#### RISKS AND UNCERTAINTIES

The following are risk factors associated with the Company:

- a) the Company has not commenced commercial operations and has no assets other than cash, amounts receivable, and prepaid expenses. It has no history of earnings, and shall not generate earnings or pay dividends until at least after completion of the Qualifying Transaction;
- b) investment in the common shares of the Company highly speculative given the proposed nature of the Company's business and its present stage of development;
- c) the directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- d) there can be no assurance that an active and liquid market for the Company's common shares exists and an investor may find it difficult to resell its common shares;
- e) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- f) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;
- g) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;
- h) completion of the Qualifying Transaction is subject to a number of conditions including acceptance by the TSX-V and, in the case of a Non Arm's Length Qualifying Transaction (as such term is defined in the policies of the TSX-V), Majority of the Minority Approval (as such term is defined in the policies of the TSX-V);
- i) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Company of fair value for the Common Shares;
- j) upon public announcement of a proposed Qualifying Transaction, trading in the common shares will be halted and will remain halted for an indefinite period of time, typically until a Sponsor (as such term is defined in the policies of the TSX-V) has been retained and certain preliminary reviews have been conducted. The common shares will be reinstated to trading before the TSX-V has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Company completing the proposed Qualifying Transaction;
- k) Trading in common shares may be halted at other times for other reasons, including for failure by the Company to submit documents to the TSX-V in the time periods required;
- l) the TSX-V will generally suspend trading in the Company's common shares or delist the Company in the event that the TSX-V has not issued a Final Exchange Bulletin within 24 months from the date of listing;

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- m) neither the TSX-V nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- n) in the event that management of the Company resides outside of Canada or the Company identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service of notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts; and
- o) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Company and this may result in further dilution to an investor, which dilution may be significant and which may also result in a change of control of the Company.

As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the common shares.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES**

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A on November 12, 2021. A copy of this MD&A is filed on SEDAR.

### **FORWARD-LOOKING INFORMATION**

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic, and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: potential acquisitions, financing of the Company's acquisitions and other activities, and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

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Forward-looking statements involve risks, uncertainties, assumptions, and other factors, including those set out below, that may never materialize, prove incorrect, or materialize other than as currently contemplated, which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact, and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the ability of the Company to successfully acquire assets;
- access to funding to support the Company's strategic plans and/or operating activities in the future;
- the volatility of currency exchange rates and global prices;
- the continued participation in the Company of certain key employees; and
- risks normally incident to the acquisition.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document and other documents periodically filed with or furnished to the relevant securities regulators. All subsequent written and forward-looking oral statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events, or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at [www.sedar.com](http://www.sedar.com).