

AUDREY CAPITAL CORPORATION

FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and from incorporation on March 9, 2021 to September 30, 2021

(unaudited)

(Stated in Canadian dollars)

AUDREY CAPITAL CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian dollars, unaudited)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash		\$ 1,030,478	\$ 954,550
GST receivable		1,105	3,042
		\$ 1,031,583	\$ 957,592
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 448	\$ 27,617
		448	27,617
Shareholders' equity			
Share capital	4(a), 4(b)	1,207,151	1,057,151
Stock-based reserves	4(c)	212,437	123,478
Warrant reserves	4(d)	34,299	34,299
Deficit		(422,752)	(284,953)
		1,031,135	929,975
		\$ 1,031,583	\$ 957,592

Corporate information and continuance of operations 1

Approved for issue by the Board of Directors on October 18, 2022:

Signed on the Company's behalf by:

"Ian Slater"
Ian Slater, Director

"Jay Sujir"
Jay Sujir, Director

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

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

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	From Incorporation on March 9, 2021 to September 30, 2021
EXPENSES					
Filing fees		\$ 3,106	\$ 463	\$ 13,686	\$ 11,196
General and administrative		9,000	9,061	27,000	18,193
Investor relations		-	-	375	-
Professional fees		1,085	6,161	7,779	22,175
Stock-based compensation	5(b)	-	-	88,959	-
Loss and Comprehensive loss for the period		(13,191)	(15,685)	(137,799)	(51,564)
Basic loss per common share		\$ (0.001)	\$ (0.003)	\$ (0.007)	\$ (0.004)
Weighted average number of common shares outstanding		20,000,000	13,352,174	19,961,538	11,807,317

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

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

	Note	Nine months ended September 30, 2022	From Incorporation on March 9, 2021 to September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		\$ (137,799)	\$ (51,564)
Items not involving cash:			
Share-based payments		88,959	-
Changes in non-cash working capital items:			
GST receivable		1,937	(1,162)
Accounts payable and accrued liabilities		(27,169)	18,000
		<u>(74,072)</u>	<u>(34,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued, net of issue costs	4(b)	150,000	675,000
Deferred Financing costs		-	(48,206)
		<u>150,000</u>	<u>626,794</u>
Change in cash during the period		75,928	592,068
Cash, beginning of the period		954,550	-
Cash, end of the period		\$ 1,030,478	\$ 592,068

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

AUDREY CAPITAL CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Stated in Canadian dollars, unaudited)

	<i>Notes</i>	Number of Shares	Share Capital	Stock-Based Reserves	Warrant Reserves	Deficit	Total
Balance, March 9, 2021		-	\$ -	\$ -	\$ -	\$ -	\$ -
Common shares issued	4(b)	13,500,000	675,000	-	-	-	675,000
Loss for the period		-	-	-	-	(51,564)	(51,564)
Balance, September 30, 2021		13,500,000	\$ 675,000	\$ -	\$ -	\$ (51,564)	\$ 623,436
Balance, December 31, 2021		18,500,000	\$ 1,057,151	\$ 123,478	\$ 34,299	\$ (284,953)	\$ 929,975
Common shares issued	4(b)	1,500,000	150,000	-	-	-	150,000
Share-based payments	4(c)	-	-	88,959	-	-	88,959
Loss for the period		-	-	-	-	(137,799)	(137,799)
Balance, September 30, 2022		20,000,000	\$ 1,207,151	\$ 212,437	\$ 34,299	\$ (422,752)	\$ 1,031,135

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

AUDREY CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended September 30, 2022

(Unaudited - Stated in Canadian dollars)

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 completed 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.

As at September 30, 2022, the Company had cash of \$1,030,478, 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.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared 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”). The financial statements have been prepared using the accounting policies set out in Note 3.

These financial statements were authorized for issue by the Board of Directors on October 18, 2022.

b) Basis of Measurement

These 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited interim financial statements are the same as those applied as at and for the year ended December 31, 2021.

New standards, interpretations and amendments adopted during the period

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2022, and have therefore not been applied in preparing these interim financial statements. None are expected to have a material effect on the financial statements of the Company.

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

At September 30, 2022, the Company had 20,000,000 common shares issued and outstanding.

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") and closed another private placement on August 4, 2021, for 400,000 shares at a price of \$0.05 per share for total proceeds of \$20,000. Collectively, the shares issued under these two private placements are referred to as the "Seed Shares".

On November 26, 2021, the Company completed its initial public offering ("IPO"), where it issued 5,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$500,000. The Company incurred cash share issue costs of \$83,550.

On January 7, 2022, the Company closed a non-brokered private placement for the sale of 1,500,000 common shares at a price of \$0.10 per share for gross proceeds of \$150,000.

The Seed Shares have been 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.

During the period ended September 30, 2022, the Company granted 500,000 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.

The stock option continuity for the period ended September 30, 2022, is as follows:

Number Outstanding December 31, 2021	Granted	Exercised	Expired/Cancelled	Number Outstanding September 30, 2022	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,800,000	500,000	-	300,000	2,000,000	\$ 0.10	Nov 26, 2026	4.16
			Exercisable	2,000,000	\$ 0.10	Nov 26, 2026	4.16

AUDREY CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the nine months ended September 30, 2022
(Unaudited - Stated in Canadian dollars)

4. SHAREHOLDERS' EQUITY (continued)

As at September 30, 2022, 2,000,000 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.10.

Stock-Based Compensation

The fair value of each option granted to employees, officers, and directors was estimated on the date of the grant using the Black-Scholes Option-Pricing Model.

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were an expected life of 5 years, expected dividend of \$nil, and:

	Feb 13, 2022
Risk-free interest rate	1.72%
Expected volatility	88.0%
Fair value	\$ 0.25

d) Share Purchase Warrants

In conjunction with its IPO, the Company granted 500,000 agent warrants exercisable into common shares of the Company at \$0.10 per share with an expiry date of November 26, 2026.

The share purchase warrant continuity for the period ended September 30, 2022 is as follows:

Number Outstanding December 31, 2021	Granted	Exercised	Expired/ Cancelled	Number Outstanding September 30, 2022	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
500,000	-	-	-	500,000	\$ 0.10	Nov 26, 2026	4.16

5. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the amounts agreed upon by the parties. Related party transactions for the period from January 1, 2022 to September 30, 2022 are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$27,000 for the period from January 1, 2022 to September 30, 2022.
- b) Compensation of directors and members of key management personnel through stock option grants totalled \$88,959 for the period from January 1, 2022 to September 30, 2022.

AUDREY CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended September 30, 2022

(Unaudited - Stated in Canadian dollars)

5. RELATED PARTY TRANSACTIONS *(continued)*

Related party transactions for the period from 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 M. 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.

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 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, 2022, the Company had cash of \$1,030,478 to settle current liabilities of \$448. 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.

AUDREY CAPITAL CORPORATION**NOTES TO THE FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022

(Unaudited - Stated in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)**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.

7. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2022, the Company's shareholders' equity was \$1,031,135 and it had current liabilities of \$448. 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.