

AUDREY CAPITAL CORPORATION

FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and March 31, 2022

(unaudited)

(Stated in Canadian dollars)

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

	Note	March 31, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 1,000,689	\$ 1,020,724
Receivables		1,304	495
		1,001,993	\$ 1,021,219
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 20,047	\$ 14,205
		20,047	14,205
Shareholders' equity			
Share capital	4(a), 4(b)	1,207,151	1,207,151
Stock-based reserves	4(c)	212,438	212,438
Warrant reserves	4(d)	34,299	34,299
Deficit		(471,942)	(446,874)
		\$ 1,001,993	\$ 1,021,219

Corporate information and continuance of operations 1

Approved for issue by the Board of Directors on May 23, 2023:

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 March 31, 2023	Three months ended March 31, 2022
EXPENSES			
General & administrative		\$ 9,000	\$ 9,000
Filing fees		10,509	8,183
Professional fees		5,559	375
Share-based payments	4(c)	-	88,959
Loss and comprehensive loss for the period		\$ (25,068)	\$ (106,517)
Loss per share – basic and diluted		\$ (0.004)	\$ (0.017)
Weighted average number of common shares outstanding		6,500,000	6,383,333

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

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

	Note	Three months ended March 31, 2023	Three months ended March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (25,068)	\$ (106,517)
<i>Adjustment for the Items not involving cash:</i>			
Share-based compensation	4(c)	-	88,959
		(25,068)	(17,558)
<i>Net changes in non-cash working capital items:</i>			
Receivables		(809)	2,121
Accounts payable and accrued liabilities		5,842	(21,617)
Net cash outflows from operating activities		(20,035)	(37,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued, net of issue costs	4(b)	-	150,000
Net cash inflows from financing activities		-	150,000
Change in cash and cash equivalents during the period		(20,035)	112,946
Cash and cash equivalents, beginning of the period		1,020,724	954,550
Cash and cash equivalents, end of the period		\$ 1,000,689	\$ 1,067,496

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, 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		-	-	-	-	(106,517)	(106,517)
Balance, March 31, 2022		20,000,000	\$ 1,207,151	\$ 212,437	\$ 34,299	\$ (391,470)	\$ 1,062,417
Balance, December 31, 2022		20,000,000	\$ 1,207,151	\$ 212,438	\$ 34,299	\$ (446,874)	\$ 1,007,014
Loss for the period		-	-	-	-	(25,068)	(25,068)
Balance, March 31, 2023		20,000,000	\$ 1,207,151	\$ 212,438	\$ 34,299	\$ (471,942)	\$ 981,946

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

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

For the three months ended March 31, 2023

(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 became a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. As a CPC, the Company’s objective is 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 March 31, 2023, the Company had cash of \$1,000,689, 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

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 May 23, 2023.

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, 2022.

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 March 31, 2023, 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.

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

For the three months ended March 31, 2023

(Unaudited - Stated in Canadian dollars)

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 March 31, 2023, the Company had 20,000,000 common shares issued and outstanding.

On January 7, 2022, the Company closed a non-brokered private placement for 1,500,000 common shares at a price of \$0.10 per share for total 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 are 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 three months ended March 31, 2023, the Company did not granted any stock options to directors and officers of the Company.

The stock option continuity for the three months ended March 31, 2023, is as follows:

Number Outstanding December 31, 2022	Granted	Exercised	Expired/ Cancelled	Number Outstanding March 31, 2023	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
2,000,000	-	-	-	2,000,000	\$ 0.10	Nov 26, 2026	3.66
			Exercisable	2,000,000	\$ 0.10	Nov 26, 2026	3.66

As at March 31, 2023, 2,000,000 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.10.

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

For the three months ended March 31, 2023

(Unaudited - Stated in Canadian dollars)

4. SHAREHOLDERS' EQUITY (continued)

During the three months ended March 31, 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 three months ended March 31, 2022, is as follows:

Number Outstanding December 31, 2021	Granted	Exercised	Expired/ Cancelled	Number Outstanding March 31, 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	4.66
			Exercisable	2,000,000	\$ 0.10	Nov 26, 2026	4.66

As at March 31, 2022, a total of 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	Jan 07, 2022	Nov 26, 2021
Risk-free interest rate	1.72%	1.31%	1.39%
Expected volatility	88.0%	88.0%	88.0%
Fair value	\$ 0.25	\$ 0.07	\$ 0.07

During the period ended March 31, 2023, the Company recognized share-based compensation of \$nil (2022 - \$88,959).

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 three months ended March 31, 2023 is as follows:

Number Outstanding December 31, 2022	Granted	Exercised	Expired/ Cancelled	Number Outstanding March 31, 2023	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
500,000	-	-	-	500,000	\$ 0.10	Nov 26, 2026	3.66

The share purchase warrant continuity for the three months ended March 31, 2022 is as follows:

Number Outstanding December 31, 2021	Granted	Exercised	Expired/ Cancelled	Number Outstanding March 31, 2022	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
500,000	-	-	-	500,000	\$ 0.10	Nov 26, 2026	4.66

4. SHAREHOLDERS' EQUITY (continued)

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, risk-free interest rate of 1.39%, expected volatility of 88%, and a fair value of \$0.07.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are due for professional fees and are payable within the next 12 months.

As at	March 31, 2023	December 31, 2022
Accounts payable	\$ 14,297	\$ 3,705
Accrued liabilities	5,750	10,500
TOTAL	\$ 20,047	\$ 14,205

6. 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, 2023 to March 31, 2023 are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$9,000 for the period from January 1, 2023 to March 31, 2023. A balance of \$3,669 was due to Slater Corporate Service Corporation as at March 31, 2023.
- b) Farris LLP, in which two of the Directors, Jay Sujir and Peter Roth, are partners provided legal services to the Company in the amount of \$187 (2022 - \$6,683) for the three months ended March 31, 2023.

Related party transactions for the period from January 1, 2022 to March 31, 2022 are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$9,000 for the period from January 1, 2022 to March 31, 2022.
- b) Compensation of directors and members of key management personnel through share-based payments totalled \$88,959 for the period from January 1, 2022 to March 31, 2022.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a) Fair Value

Management assessed those fair values of cash 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:

AUDREY CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2023

(Unaudited - Stated in Canadian dollars)

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

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 March 31, 2023, the Company had cash of \$1,000,689 to settle current liabilities of \$20,047. 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.

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

For the three months ended March 31, 2023

(Unaudited - Stated in Canadian dollars)

8. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2023, the Company's shareholders' equity was \$981,946 and it had current liabilities of \$20,047. 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 applied 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.