

AD4 CAPITAL CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JANUARY 31, 2024

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

March 8, 2024

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Yours truly,

Alfredo De Lucrezia
President and Chief Executive Officer

AD4 CAPITAL CORP.
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)
AS AT JANUARY 31, 2024 AND OCTOBER 31, 2023

	Note	January 31, 2024	October 31, 2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	712,638	715,092
Accounts receivable	11	3,075	5,859
Total assets		715,713	720,951
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		34,548	19,255
Total liabilities		34,548	19,255
Shareholders' equity			
Capital stock	5	869,805	869,805
Contributed surplus		142,300	142,300
Deficit		(330,940)	(310,409)
Total shareholders' equity		681,165	701,696
Total liabilities and shareholders' equity		715,713	720,951

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on March 8, 2024

“Alfredo De Lucrezia” Director “Maurizio Grande” Director

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

AD4 CAPITAL CORP.
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED JANUARY 31

	Note	2024	2023
		\$	\$
EXPENSES			
Professional fees		14,700	10,256
Bank charges		376	375
Licences and fees		726	7,908
Office and administrative expenses		9,000	9,648
Share-based payments		7,500	
		(32,302)	(28,187)
Interest income		4,271	776
Loss and comprehensive loss for the period		(28,031)	(27,411)
Loss per common share			
Basic		(0.00)	(0.00)
Diluted		(0.00)	(0.00)
Weighted average number of common shares outstanding			
Basic and diluted	2	15,500,001	15,500,001

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

AD4 CAPITAL CORP.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED JANUARY 31

	2024	2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(28,031)	(27,411)
Item not cash		
Share-based payments	7,500	
Change in non-cash working capital items:		
Increase (decrease) in accounts payable and accrued liabilities	2,784	(2,248)
Decrease (increase) in accounts receivable	15,293	4,094
Net cash used in operating activities	(2,454)	(25,565)
Decrease in cash during the period	(2,454)	(25,565)
Cash and cash equivalents, beginning of period	715,092	807,367
Cash and cash equivalents, end of period	712,638	781,802

There were no non-cash financing or investing activities during the period.

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

AD4 CAPITAL CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Expressed in Canadian Dollars)

	<u>Capital stock</u>				Total
	Number of shares	Amount \$	Contributed Surplus \$	Deficit \$	
Balance as of November 1, 2022	15,500,001	869,805	134,800	(216,236)	788,369
Loss for the period		-	-	(27,411)	(27,411)
Balance as at January 31, 2023	15,500,001	869,805	134,800	(243,647)	463,615
Balance as of November 1, 2023	15,500,001	869,805	142,300	(310,409)	701,696
Loss for the period	-	-		(28,031)	(28,031)
Share-based compensation			7,500	-	7,500
Share based compensation for options surrendered			(7,500)	7,500	
Balance as at January 31, 2024	15,500,001	869,805	142,300	(330,940)	681,165

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

1. NATURE AND CONTINUANCE OF OPERATIONS

AD4 Capital Corp. (the “Company”) was incorporated on June 14, 2021 under the laws of the Province of British Columbia, Canada, as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. Head office is located at 423 East 10th Street, North Vancouver, British Columbia, Canada V7L 2E5. The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the “Qualifying Transaction”), subject to, if a non-arm’s length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities. Until the completion of a Qualifying Transaction, the Company will not carry on any other business.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

These interim financial statements (“financial statements”) have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting and Interpretations Committee.

These financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended October 31, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVTOCI”). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company

(b) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, FVTOCI financial assets at amortized cost, and financial liabilities at amortized cost. The classification depends on the purpose for which the financial asset or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

(i) Financial assets

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to a contractual provision of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

- (a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and
- (b) Those to be measured at amortized cost.

The Classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at the fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities are not reclassified.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(ii) Financial liabilities

The Company has the following financial liabilities at amortized cost: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

(c) Impairment

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the assets at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportable forward-looking information.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

(d) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their fair value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date (once a public listing has been obtained). The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

(e) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from contributed surplus and charged to deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

(f) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(g) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares which includes shares held in escrow.

Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company.

(h) Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

(i) Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such difference may result in eventual tax payments differing from amounts accrued. Reporting amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

AD4 CAPITAL CORP
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JANUARY 31, 2024

3. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2021, or later periods.

The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion in these financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	January 31, 2024	October 31, 2023
Cash	\$29,871	\$40,092
Guaranteed investment certificate	\$682,767	\$675,000
	<u>\$712,638</u>	<u>\$715,092</u>

5. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

On June 29, 2022, the Company completed its Initial Public Offering (“IPO”) by way of a Prospectus through its agent, Leede Jones Gable Inc. (the “Agent”). The Company issued 5,000,000 common shares at \$0.10 per share, for aggregate proceeds of \$500,000 (the “Offering”). The Agent was paid a \$35,000 commission, a \$15,750 corporate finance fee, \$18,113 to cover its legal and other expenses related to the Offering and was issued 350,000 compensation options with a value of \$18,550. Each option entitles the Agent to purchase one common share at the exercise price of \$0.10 per share until June 28, 2024.

In addition, filing fees of \$10,500 and legal fees and other expenses of \$62,958 were paid related to the Offering. The total share issue costs were recorded as a reduction of share capital.

In conjunction with the completion of the IPO the Company granted stock options to its Officers and Directors to purchase up to 1,550,000 common shares at a price of \$0.10 per share for a period of five years expiring on June 29, 2027. If any options are exercised before a Qualifying Transaction has been completed, the Optionee must agree in writing that the shares acquired be held in escrow until the issuance of a Final Exchange Bulletin confirming the completion of a Qualifying Transaction.

Stock options

The Company has adopted an incentive stock option plan (the “Plan”). The essential elements of the Plan provide that the aggregate number of common shares of the Company’s capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding common shares. Options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the market price of the common shares (defined as the last closing market price of the Company’s common shares immediately preceding the day on which the Company announces the granting of the options), or such other price as may be agreed to by the Company and accepted by the TSX-V. Vesting terms are determined by the Board of Directors at the time of grant.

AD4 CAPITAL CORP
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JANUARY 31, 2024

5. SHARE CAPITAL (Cont'd...)

Stock option transaction are summarized as follows:

Directors' and Officers' Incentive Stock Options	Number	Exercise Price
Outstanding as at October 31, 2022	1,550,000	\$0.10
Granted during the period	nil	-
Expired or surrendered or currendered during the period	(100,000)	
Outstanding and exercisable, January 31, 2023	1,450,000	
Outstanding as at October 31, 2023	1,550,000	\$0.10
Granted during the period	100,000	\$0.10
Surrendered during the period	(100,000)	\$0.10
Outstanding and exercisable, January 31, 2024	1,550,000	
Agent's Compensation Options		
Outstanding as at October 31, 2022 and 2023	350,000	\$0.10
Granted during the period	nil	
Expired or surrendered and cancelled during the period	nil	
Outstanding, and exercisable, January 31, 2023 and 2024	350,000	\$ 0.10

The following options to acquire common shares of the Company were ourstanding at January 31, 2024:

	Number of Shares	Exercise Price	Expiry Date
Directors and Officers	1,350,000	\$0.10	June 29, 2027
	100,000	\$0.10	March 2, 2028
	100,000	\$0.10	November 15, 2028
Agent's Compensation	350,000	\$0.10	June 28, 2024

The Company recorded the fair value of all options granted during the period using the Black-Sholes options pricing model employing the following assumptions:

- a) Expected life of options (Directors and Officers, 5 years) and (Agent's, 2 years)
- b) Stock price volatility (Directors and Officers and Agent, 100%)
- c) Risk free interest rate (Directors and Officers and Agent, 2.35%)

The fair value of the Directors and Officers options granted during the period ended January 31, 2024 was determined to be \$7,500 which was recorded as an operating expense.

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of options and warrants issued on private placements. Contributed surplus is increased by the fair value of these items and is reduced by corresponding amounts when options or warrants expire or exercised or cancelled.

AD4 CAPITAL CORP
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JANUARY 31, 2024

5. SHARE CAPITAL (Cont'd...)

Escrowed securities

The Company has entered into Escrow Agreements in relation to the 11,500,001 of its common shares issued as at January 31, 2024 where by these shares have been placed in escrow.

Upon the Company completing a Qualifying Transaction, the escrowed common shares will be subject to a timed release over an 18-month period.

6 RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel and Directors and companies in which they have control or significant influence over the financial or operating policies. There were no loans to management personnel or Directors, or entities over which they have control or significant influence from incorporation to January 31, 2024.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on a thirty-day advance notice. Key management personnel and Directors can participate in the Company's stock option plan.

During the three months ended January 31, 2024 the Company granted stock options to its Corporate Secretary with a fair value of \$7,500 to purchase 100,000 of its common shares at a price of \$0.10 per share until November 15, 2028.

The Company entered into transactions with related parties during the three month period ended January 31, 2024 as follows:

- (a) Paid or accrued charges for office and administrative expenses to its Chief Executive Officer in the amount of \$9,000 (2023 - \$9,000)
- (b) Paid or accrued professional fees to its Chief Financial Officer in the amount of \$1,200 (2023 \$3,500)
- (c) Paid or accrued professional fees to its Corporate Secretary in the amount of \$10,000 (2023 \$nil)

7. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENT

Capital management

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company has shareholders' equity of \$681,165 as of January 31, 2024.

The Company currently has no source of revenues. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

7 . CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont'd...)

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which will apply following the completion of the IPO. These expenditure restrictions limit the Company's on-going expenditures to reasonable expenditures relating to the IPO, reasonable expenses relating to a proposed Qualifying Transaction, assurance and audit fees, escrow agent and transfer agent fees, regulatory filing fees and a maximum of \$3,000 per month for other general and administrative costs.

Financial instruments - fair value

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying value of accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk and liquidity risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash, which are all held in financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant. The Company has minimal receivable exposure as its refundable credits are due from the Canadian Government.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.