

Financial Statements
(Expressed in Canadian dollars)

AUSTON CAPITAL CORP.

(A Capital Pool Company)

Years ended July 31, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Auston Capital Corp.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Auston Capital Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2024 and 2023 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred losses since incorporation and has minimal working capital. As stated in Note 1, the Company's ability to continue as a going concern is dependent upon management's ability to obtain financing and complete a Qualifying Transaction. These matters, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely

rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
November 14, 2024

Auston Capital Corp.

Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	July 31, 2024	July 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		\$ 52,378	\$ 77,787
Receivables		125	678
TOTAL ASSETS		\$ 52,503	\$ 78,465
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		\$ 2,057	\$ 8,348
SHAREHOLDERS' EQUITY			
Share capital	5	373,884	373,884
Contributed surplus	6	62,500	62,500
Deficit		(385,938)	(366,267)
TOTAL SHAREHOLDERS' EQUITY		50,446	70,117
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 52,503	\$ 78,465

Nature and continuance of operations (Note 1)

Approved by the Board of Directors.

"Mark Fekete"

Director

"Steve Smith"

Director

Auston Capital Corp.Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year ended July 31, 2024	Year ended July 31, 2023
Expenses			
Office and miscellaneous	\$	138	\$ 132
Professional fees		9,851	21,992
Transfer agent and filing fees		12,544	14,790
		22,533	36,914
Other Items			
Interest income		(2,862)	(1,659)
Net loss and comprehensive loss for the year	\$	19,671	\$ 35,255
Weighted average number of common shares outstanding			
Basic and diluted	6	3,000,000	3,000,000
Loss per common share – basic and diluted	\$	0.01	\$ 0.01

Auston Capital Corp.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Common Shares		Reserves	Deficit	Total
	Number of shares	Amount			
Balance at July 31, 2022	6,200,000	\$ 373,884	\$ 62,500	\$ (331,012)	\$ 105,372
Comprehensive loss for the year	-	-	-	(35,255)	(35,255)
Balance at July 31, 2023	6,200,000	\$ 373,884	\$ 62,500	\$ (366,267)	\$ 70,117
Comprehensive loss for the year	-	-	-	(19,671)	(19,671)
Balance at July 31, 2024	6,200,000	\$ 373,884	\$ 62,500	\$ (385,938)	\$ 50,446

Auston Capital Corp.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended July 31, 2024	For the year ended July 31, 2023
Operating activities		
Net loss for the year	\$ (19,671)	\$ (35,255)
Changes in non-cash working capital items:		
Receivables	553	157
Trade payables and accrued liabilities	(6,291)	2,632
Net cash flows used in operating activities	(25,409)	(32,466)
Increase (decrease) in cash and cash equivalents	(25,409)	(32,466)
Cash and cash equivalents, beginning of year	77,787	110,253
Cash and cash equivalents, end of year	\$ 52,378	\$ 77,787

There were no non-cash transactions during the year ended July 31, 2024.

The Company did not incur any interest or tax expenditures for years ended July 31, 2024 and 2023.

Auston Capital Corp.

Notes to the Financial Statements

For the years ended July 31, 2024 and July 31, 2023

1. Nature and continuance of operations

Auston Capital Corp. (the "Company") was incorporated on December 5, 2017 pursuant to the Business Corporations Act of British Columbia as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The head office, principal address and records office of the Company are located at 2025 Graveley Street, Vancouver, British Columbia, Canada.

The Company was formed for the primary purpose of completing an IPO on the Exchange as a Capital Pool Company ("CPC") in accordance with Policy 2.4 *Capital Pool Companies* (the "CPC Policy"). As a CPC, the Company's principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with the CPC Policy of the Exchange (the "Qualifying Transaction"). Until Completion of the Qualifying Transaction (as such term is defined in the CPC Policy), the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. The proposed business of the Company, and the completion of a Qualifying Transaction, involves a high degree of risk. There is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds may be required to enable the Company to pursue such an initiative, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

The Company does not have revenues and has incurred operating losses since incorporation. As at July 31, 2024, the Company had working capital of \$50,446 (July 31, 2023 – \$70,117). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction. If the going concern assumption were not appropriate for these financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

See also Note 10.

2. Material accounting policy information

Statement of compliance to International Financial Reporting Standards

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for the Company's reporting period ended July 31, 2024.

The financial statements of the Company for the year ended July 31, 2024 approved and authorized for issue by the Board of Directors on November 14, 2024.

The following is a summary of significant accounting policies used in the preparation of these financial statements.

2. Material accounting policy information (continued)

Basis of preparation

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 2. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, or held in trust, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current 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 period end, and includes any adjustments to tax payable or receivable in respect of previous years. Deferred income taxes are recorded using the liability method whereby deferred 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 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 statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Material accounting policy information (continued)

Loss per share

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding. The Company has 3,200,000 (July 31, 2023 – 3,200,000) shares held in escrow as at July 31, 2024.

Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

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. Non-monetary consideration: where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of the option is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

In situations where equity instruments are issued to non-employees for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

2. Material accounting policy information (continued)***Share-based payments (continued)***

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the equity settled transactions or is otherwise beneficial to the employee as measured at the date of modification.

Financial instruments

The measurement of financial assets and liabilities is based on three possible classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the Company's business model for holding the instrument and its contractual cash flow characteristics. Equity instruments are classified as financial instruments carried at fair value, with changes in fair value recorded in the statement of comprehensive loss unless such financial instruments are not held for trading, in which case, the financial instrument may be irrevocably designated as fair value through other comprehensive income on initial recognition without subsequent reclassification to net income or loss of realized gains and losses on sale.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

The classification and measurement of the Company's financial assets and financial liabilities under IFRS 9 are as follows:

Financial instrument	IFRS 9
<u>Financial Assets</u>	
Cash	Amortized cost
Deposits and receivables*	Amortized cost
*excluding GST	
<u>Financial Liabilities</u>	
Accounts payables and accrued liabilities	Amortized cost

2. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial liabilities are measured at amortized cost using the effective interest method unless one of exemptions applies.

Fair value through other comprehensive income ("FVTOCI")

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Fair value through profit or loss ("FVTPL")

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL. However, an irrevocable election can be made at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL. At initial recognition, a financial liability may be irrevocably designated and measured at FVTPL if one of the specific criteria is met.

beginning and end of that period and the corresponding amount is represented in share option reserve.

3. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the periods of change, if the change affects that period only, or in the period of the change of future periods, if the change affects both.

Going Concern

The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the financial statements would be required if the going concern assumption was not used.

4. New Accounting Standards and Interpretations

The Company is unaware of any applicable but not-yet-adopted standards that are expected to materially affect the financial statements of future periods.

Auston Capital Corp.

Notes to the Financial Statements

For the years ended July 31, 2024 and July 31, 2023

5. Share capital**a) Authorized share capital**

Unlimited number of common shares without par value.

b) Issued and outstanding

As of July 31, 2024, the Company has 6,200,000 common shares issued and outstanding.

c) Escrowed shares

As at July 31, 2024, the Company has 3,200,000 shares subject to escrow restrictions. The escrowed shares will be released from escrow in tranches over 18 months following the completion of a QT and TSX-V approval.

6. Reserve

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. Any fair value attributed to the warrants is recorded in the reserve.

(i) Stock option plan

The Company has a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting and term of the option is determined by the board of directors in accordance with the Plan

As of July 31, 2024, there were no stock options outstanding.

7. Related party payables and 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, during the year ended July 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.

8. Financial instruments and risk management**a) Classification of financial instruments**

As at July 31, 2024, the Company's financial instruments are comprised of cash and trade payable. The fair value of these financial instruments approximates their carrying value due to its short-term maturity. 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 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The Company's financial instruments are measured using level 1 inputs.

8. Financial instruments and risk management (continued)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities as they become due. As at July 31, 2024, the Company had a cash balance of \$52,378 to settle future liabilities and as such, is not exposed to significant liquidity risk.

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 commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

Cash from proceeds of share issuance are restricted pursuant to section 8.4 of TSX-V policy 2.4 (the "Policy") as follows:

- (a) Until the completion of the QT, no more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Company and \$210,000 may be used for purposes other than as provided in section 8.3.

Auston Capital Corp.

Notes to the Financial Statements

For the years ended July 31, 2024 and July 31, 2023

8. Financial instruments and risk management (continued)

- (b) Until the completion of the QT, no proceeds from the sale of securities of the Company may be used to acquire or lease a vehicle.
- (c) The restrictions in this Policy on expenditures and the use of proceeds continue to apply until completion of the QT.
- (d) If the Company completes a QT before spending the entire proceeds on identifying and evaluating properties or businesses, the Company may use the remaining funds to finance or partly finance the acquisition of, or participation in the significant assets.

9. Income taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company. The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	Year ended July 31, 2024	Year ended July 31, 2023
Loss before income taxes	\$ 19,671	\$ 35,255
Statutory tax rate	27.00%	27.00%
Expected income tax recovery at the statutory tax rate	(5,300)	(9,500)
True-up of prior year amounts	(3,900)	-
Unrecognized benefits of income tax losses	9,200	9,500
Actual income tax recovery	\$ Nil	\$ Nil

The significant components of the Company's deferred income tax assets are as follows:

	Year ended July 31, 2024	Year ended July 31, 2023
Non-capital losses carried forward	\$ 110,600	\$ 101,300
Valuation allowance	(110,600)	(101,300)
Net deferred income tax asset	\$ Nil	\$ Nil

This potential future tax benefit has been offset entirely by a valuation allowance and has not been recognized in these financial statements.

At July 31, 2024, the Company has approximately \$409,500 of loss carry forwards which may be available to reduce taxable income in future years. These losses expire as follows:

	Non-capital losses
2038	\$ 600
2039	97,200
2040	81,900
2041	85,000
2042	61,300
2043	63,800
2044	19,700
	<u>\$ 409,500</u>

The deferred tax assets have not been recognized because at this stage of the Company's development it is not determinable that future taxable profit will be available against which the Company cannot utilize such deferred tax assets.

Auston Capital Corp.

Notes to the Financial Statements

For the years ended July 31, 2024 and July 31, 2023

10. Subsequent events:

On October 2, 2024, the Company announced that non-binding letter of intent dated September 1, 2022 with Eastport Ventures Inc. ("Eastport") in respect of a proposed business combination was terminated following various extensions.