

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

(Formerly Audrey Capital Corporation)

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024 and June 30, 2023

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements 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.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Condensed interim consolidated statements of financial position

(Stated in Canadian dollars, unaudited)

	Note	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$ 290,798	\$ 768,764
Amounts receivable		5,342	5,909
Advances and Prepaid expenses		146,954	-
		443,094	774,673
Non-current assets			
Deferred acquisition costs		-	183,789
Mineral properties	5	2,113,390	-
		2,113,390	183,789
Total assets		\$ 2,556,484	\$ 958,462
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 121,416	\$ 48,672
Total liabilities		121,416	48,672
SHAREHOLDERS' EQUITY			
Share capital	6(a), 6(b)	\$ 2,802,848	\$ 1,207,151
Share-based reserves	6(d)	286,519	212,438
Warrant reserves	6(e)	187,621	34,299
Deficit		(960,633)	(544,098)
Accumulated other comprehensive loss		(1,553)	-
Total shareholders' equity		\$ 2,314,802	\$ 909,790
Non-controlling interest	4,7	120,266	-
AGT's shareholders' equity		2,435,068	909,790
Total liabilities and shareholders' equity		\$ 2,556,484	\$ 958,462

Approved for issue by the Board of Directors on August 21, 2024:

Signed on the Company's behalf by:

"Rodney Stevens"

Rodney Stevens, Director

"James Ruane"

James Ruane, Director

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Condensed interim consolidated statements of loss and comprehensive loss

(Stated in Canadian dollars, unaudited)

	Note	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
Expenses					
Exploration expenses	3	\$ 41,070	\$ -	\$ 59,272	\$ -
Filing fees		25,158	4,755	41,014	15,264
Foreign exchange loss		11,359	-	773	-
General and administrative		81,416	9,000	112,420	18,000
Investor relations		19,043	1,220	36,025	1,220
Professional fees		14,191	5,134 ⁽¹⁾	40,821	10,693 ⁽¹⁾
Share-based compensation	6(d)	50,097	-	74,081	-
Travel		4,724	-	18,334	-
Wages and benefits		31,086	-	42,115	-
		\$ 278,144	\$ 20,109⁽¹⁾	424,855	\$ 45,177⁽¹⁾
Other Income (Expenses)					
Interest income		(295)	-	(295)	-
		\$ (295)	\$ -	\$ (295)	\$ -
Loss for the period		\$ (277,849)	\$ (20,109)⁽¹⁾	\$ (424,560)	\$ (45,177)⁽¹⁾
Loss attributed to:					
Non-controlling interests		(6,746)	-	(8,025)	-
Shareholders of the Company		(271,103)	(20,109) ⁽¹⁾	(416,535)	(45,177) ⁽¹⁾
Loss for the period		\$ (277,849)	\$ (20,109)⁽¹⁾	\$ (424,560)	\$ (45,177)⁽¹⁾
Other comprehensive loss					
Foreign currency translation differences for foreign operations		785	-	(1,553)	-
Comprehensive loss for the period		\$ (277,064)	\$ (20,109)⁽¹⁾	\$ (426,113)	\$ (45,177)⁽¹⁾
Attributed to:					
Non-controlling interests	4,7	(6,746)	-	(8,025)	-
Shareholders of the company		(270,318)	(20,109) ⁽¹⁾	(418,088)	(45,177) ⁽¹⁾
Comprehensive loss for the period		\$ (277,064)	\$ (20,109)⁽¹⁾	\$ (426,113)	\$ 45,177⁽¹⁾
Basic and diluted loss per common share		\$ (0.02)	\$ (0.00)	\$ (0.05)	\$ (0.00)
Weighted average number of common shares outstanding		11,898,238	6,500,000	8,458,088	6,500,000

⁽¹⁾ Transaction cost of \$41,027 were reclassified to deferred acquisition costs to reflect FY 2023 presentation.

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Condensed interim consolidated statements of cash flows
(Stated in Canadian dollars, unaudited)

	<i>Note</i>	Six months ended June 30, 2024	Six months ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (424,560)	\$ (45,177)
<i>Adjustment for Items not involving cash:</i>			
Share-based compensation	6(d)	74,081	-
Unrealized foreign exchange		(7,561)	-
		(358,040)	(45,177)
<i>Net changes in non-cash working capital items:</i>			
Advances and prepaid expenses		(103,205)	(41,027)
Amounts receivable		26,835	(2,309)
Accounts payable and accrued liabilities		(139,467)	37,739
Net cash outflows from operating activities		(573,877)	(50,774)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of AGT		6,507	-
Transaction costs for acquisition of AGT		(145,327)	-
Mineral properties and equipment acquisition		(65,269)	-
Net cash outflows from investing activities		(204,089)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		300,000	-
Net cash outflows from financing activities		300,000	-
Change in cash in the period		(477,966)	(20,035)
Cash, beginning of the period		768,764	1,020,724
Cash, end of the period		\$ 290,798	\$ 1,000,689

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Condensed interim consolidated statements of changes in shareholder's equity

(Stated in Canadian dollars, unaudited)

	<i>Note</i>	Number of Shares	Share Capital	Share-Based Reserves	Warrant Reserves	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
Balance, December 31, 2022		13,333,333	\$1,207,151	\$ 212,438	\$ 34,299	\$ -	\$ (446,874)	\$ -	\$ 1,007,014
Loss for the period		-	-	-	-	-	(86,204)	-	(86,204)
Balance, June 30, 2023		13,333,333	\$ 1,207,151	\$ 212,438	\$ 34,299	\$ -	\$ (533,078)	\$ -	\$ 920,810
Balance, December 31, 2023		13,333,333	\$ 1,207,151	\$ 212,438	\$ 34,299	\$ -	\$ (544,098)	\$ -	\$ 909,790
Common shares issued	6(b)	10,200,605	1,595,697	-	-	-	-	-	1,595,697
Value of warrants Issued	6(e)	-	-	-	153,322	-	-	-	153,322
Share-based payments	6(d)	-	-	74,081	-	-	-	-	74,081
Foreign currency translation adjustment		-	-	-	-	(1,553)	-	-	(1,553)
Non-controlling interest acquired		-	-	-	-	-	-	128,291	128,291
Loss for period to Non-controlling interest		-	-	-	-	-	8,025	(8,025)	-
Loss for the period		-	-	-	-	-	(424,560)	-	(424,560)
Balance, June 30, 2024		23,533,938	\$ 2,802,848	\$ 286,519	\$ 187,621	\$ (1,553)	\$ (960,633)	\$ 120,266	\$ 2,435,068

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Applied Graphite Technologies Corporation (formerly "Audrey Capital Corporation") was incorporated on March 9, 2021, under the Business Corporations Act of British Columbia after which it became a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

On June 23, 2023, the Company entered into a qualifying transaction agreement (the "Qualifying Transaction Agreement") with Applied Graphite Technologies Corporation ("AGT"), a private company incorporated under the Business Corporations Act (British Columbia), pursuant to which the Company would acquire all of the issued and outstanding securities of AGT by way of a three-cornered amalgamation with a wholly-owned subsidiary of the Company ("1445056 BC") incorporated under the laws of the Province of British Columbia.

On March 7, 2024, the Company closed the transaction and acquired 100% of the shares of AGT, for total consideration of \$1,821,458 (Note 4). The TSX-V accepted the transaction as meeting its Policy 2.4 criteria for a Qualifying Transaction.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at June 30, 2024, the Company had cash of \$290,798 and working capital of \$321,678. For the six months ended June 30, 2024, the Company incurred a comprehensive loss of \$426,113 and used cash in operations of \$573,877.

The Company has not generated revenue from operations to date and will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral properties. There can be no assurance that the Company will be able to raise sufficient financing on acceptable terms. Future operations of the Company are dependent upon its ability to raise additional equity financing, maintain sufficient working capital and upon future production or proceeds from the disposition of its mineral property interests. These factors represent material uncertainties that give rise to significant doubt as to whether the Company will be able to continue as a going concern.

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, political conflict in other regions and, supply chain disruptions. 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.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). 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 Aug 21, 2024.

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.

c) Functional and presentation currency

The presentation currency of the Company is the Canadian dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined for each entity within the Company using an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The functional currency of AGT, the parent company, is the Canadian dollar; that of the Company’s Sri Lanka subsidiary, C-Tech is the Sri Lankan rupee.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, are as follows:

The carrying value and recoverability of exploration and evaluation assets and mineral property, plant and equipment requires management to make certain estimates, judgments and assumptions about its project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

2. BASIS OF PRESENTATION *(continued)*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Where such valuations are applied, such as the time of a stock option grant or issuance of shares from trust, management provides detailed valuation assumptions.

Judgments

Functional currency

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency in which each entity performed its operations. The functional currency of the Company and its Canadian subsidiary is the Canadian dollar. The functional currency of the Company's subsidiary in Sri Lanka is the Sri Lankan rupee.

Acquisition of a business

The determination of whether a corporate entity or set of assets acquired, and liabilities assumed, constitute a business may require the Company to make certain judgements, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of AGT was determined to constitute an acquisition of assets (Note 4). The excess of consideration paid over the net assets of AGT received was allocated on a proportional basis to the mineral properties acquired, which constitutes management's determination of the relative importance of the properties to the Company.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

3. MATERIAL ACCOUNTING POLICY INFORMATION

During the six months ended June 30, 2024, the Company expanded its material accounting policy as follows:

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied as at and for the year ended December 31, 2023.

Mineral exploration and evaluation expenses

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration expenses incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The Company will perform an impairment test on transition from the exploration stage to the development stage.

Expenditures incurred subsequent to a development decision, and to increase or extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized using the unit-of-production method based upon proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property will be assessed for impairment.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Acquisitions

Asset acquisitions are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company, if any. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date, or if the fair values exceed the consideration paid, then the consideration paid is allocated on a pro rata basis to the identifiable assets acquired based on their relative fair values.

Foreign currency translation

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income (loss) are translated at an average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the consolidated statement of income (loss).

New standards, interpretations and amendments adopted during the period.

Issued but not yet effective.

In April 2024, the IASB issued a new IFRS accounting standard to improve the reporting of financial performance. IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements. The standard will become effective January 1, 2027, with early adoption permitted. The Company is in the process of assessing the impact of this new standard on the Company's financial statements.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

4. ACQUISITION OF APPLIED GRAPHITE TECHNOLOGIES CORPORATION

On March 7, 2024, the Company completed the acquisition of AGT by way of a three-cornered amalgamation under the provisions of the Business Corporations Act (British Columbia). As a result of the transaction, AGT merged with a wholly owned subsidiary of Audrey to become AGT Resources Corporation (“AGT Resources”), a wholly owned subsidiary of the Company. The Company, as the Resulting Issuer, will continue the business of AGT and has changed its name to Applied Graphite Technologies Corporation. All the issued and outstanding common shares of AGT (“AGT Shares”) were exchanged for common shares in the capital of the Resulting Issuer, Applied Graphite Technologies Corporation, on a one-for-one basis. The exchanged AGT shares were cancelled, upon completion of the Qualifying transaction, on March 7, 2024.

Consideration with a fair value of \$1,449,017 was issued in exchange for all the issued and outstanding equity of AGT and is comprised as follows:

- a total of 8,200,605 common shares of the Company at \$0.158 per share (\$1,295,695) (Note 6b);
- a total of 1,366,454 warrants of the Company, exercisable at price at \$0.15 per share until expiry date March 7, 2029 (\$153,322) (Note 6e);

Transaction costs related to legal fees of \$372,441 which were associated with the acquisition were recorded. As at December 31, 2023, transaction costs of \$183,789 were recorded as deferred acquisition costs.

The acquisition of AGT constitutes an asset acquisition and has been accounted for under the acquisition method in accordance with the guidance provided in IFRS 3, Business Combinations (“IFRS 3”). The assets acquired did not qualify as a business according to the definition in IFRS 3, and therefore the acquisition did not constitute a business combination, but rather has been treated as a payment of equity consideration for the acquisition of AGT’s net assets.

The total consideration for the acquisition of the assets and liabilities assumed on acquisition was as follows:

		Total
Cash	\$	6,507
Receivables		26,268
Prepaid expenses		43,749
Mineral properties		2,042,112
Accounts payable and accrued liabilities		(168,887)
Non-controlling interest		(128,291)
	\$	1,821,458
Cost of acquisition:		
Consideration issued at fair value	\$	1,449,017
Transaction costs		372,441
Total acquisition costs	\$	1,821,458

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

*(Stated in Canadian dollars, unaudited)***5. MINERAL PROPERTY****D1 and Q2**

The D1 and Q2 properties and mineral rights were acquired with AGT on March 7, 2024.

AGT has a 90% ownership interest in C-Tech, a corporation incorporated pursuant to the laws of Sri Lanka. The remaining 10% is owned by a Sri Lankan representative. C-Tech owns 100% of the mineral rights to the Dodangaslanda Graphite Project which consists of the D1 and Q2 land parcels. The properties were purchased outright by C-Tech and accordingly, there is no expiry on the titles.

The Government of Sri Lanka, per the Mines and Minerals Act No 33 of 1992 ("Mining Act"), requires a 6% royalty payable on industrial minerals produced but not exported, and a 7% royalty payable on exported industrial minerals.

Queen's Mine

On March 26, 2024, the Company completed the purchase of the past producing Queen's Mine, located in the Dodangaslanda district of Sri Lanka, adjacent to the Company's D1 and Q2 properties. The mine output will be subject to the Government of Sri Lanka Mining Act royalty of 6% on industrial minerals produced but not exported and 7% on exported industrial minerals.

Mineral Properties as at June 30, 2024:

	Acquisition of AGT	Additions	Effect of movement in exchange rates	June 30, 2024
D1	\$ 1,724,250	\$ 9,335	\$ 5,394	\$ 1,738,979
Q2	317,862	-	994	318,856
Queen's	-	55,934	(379)	55,555
TOTAL	\$ 2,042,112	\$ 65,269	\$ 6,009	\$ 2,113,390

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

6. SHAREHOLDERS' EQUITY

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Share Issuance

During the six months ended June 30, 2024, pursuant to the Qualifying Transaction, Audrey Capital Corporation consolidated its existing 20,000,000 common shares on a 1.5:1 basis. These financial statements are reflective of the share consolidation.

At June 30, 2024, the Company had 23,533,938 (2023 – 13,333,333) common shares issued and outstanding.

During the six months ended June 30, 2024, the Company:

- Completed, on May 24, 2024, a private placement financing of 2,000,000 shares, at a price of \$0.15, for total proceeds of \$300,000.
- Issued, on March 7, 2024, a total of 8,200,605 common shares to the former shareholders of AGT, as part of its Qualifying Transaction to acquire the net assets of AGT.

A total of 10,478,191 shares have been transferred to escrow and will be released rateably over 18 and 36 month periods, respectively, beginning March 8, 2024.

c) Stock Options

On March 16, 2023, the Board of Directors approved an amended option plan of the Company (the "Stock Option Plan"), which provides that the Board of Directors of the Company may, from time to time in its discretion and in accordance with TSX-V regulations, grant to directors, officers, employees, or Management Company employees and consultants to the Company, non-transferrable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options 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 six months ended June 30, 2024, the Company granted 1,000,000 stock options to directors, officers, and consultants of the Company, exercisable at a price of \$0.15 for a five-year period following the date of the grant.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

*(Stated in Canadian dollars, unaudited)***6. SHAREHOLDERS' EQUITY (continued)**

The stock option continuity for the six months ended June 30, 2024, is as follows:

Number Outstanding Dec 31, 2023	Granted	Exercised	Expired / Cancelled	Number Outstanding Jun 30, 2024	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,133,333	-	-	-	1,133,333	0.15	Mar 07, 25	0.68
200,000	-	-	-	200,000	0.15	Nov 26, 26	2.41
-	1,000,000	-	-	1,000,000	0.15	Mar 23, 29	4.73
1,333,333	1,000,000	-	-	2,333,333	0.15		2.57
			Exercisable	1,833,333	0.15		1.98

As at June 30, 2024, a total of 1,833,333 outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.15. Any common shares received upon the exercise of vested stock options will be subject to the same escrow terms and released over an 18 and 36 month periods, respectively, beginning March 8, 2024.

The stock option continuity for the six months ended June 30, 2023, is as follows:

Number Outstanding Dec 31, 2022	Granted	Exercised	Expired / Cancelled	Number Outstanding Jun 30, 2023	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,133,333	-	-	-	1,133,333	0.15	Mar 07, 25	1.68
200,000	-	-	-	200,000	0.15	Nov 26, 26	3.41
1,333,333	-			1,333,333	0.15		1.95
			Exercisable	1,333,333	0.15		1.95

As at June 30, 2023, all the 1,333,333 outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.15.

d) Share-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:

	May 23, 2024	Mar 25, 2024	Feb 13, 2022	Jan 07, 2022
Share price on grant date	\$0.15	\$0.15	\$0.10	\$0.10
Risk-free interest rate	3.68%	3.51%	1.72%	1.31%
Expected volatility	88.00%	88.00%	88.00%	88.00%
Fair value	\$0.11	\$0.11	\$0.25	\$0.07

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

*(Stated in Canadian dollars, unaudited)***6. SHAREHOLDERS' EQUITY (continued)**

During the six months ended June 30, 2024, the Company recognized share-based compensation of \$74,081 (2023 - \$nil).

e) Share Purchase Warrants

In conjunction with its qualifying transaction, the Company issued 1,366,454 transferable warrants to purchase AGT shares at a price of \$0.15 per share with an expiry date of March 7, 2029. The warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 3.44%; dividend yield of 0%; expected volatility of 88% and expected life of 5 years.

The share purchase warrant continuity for the six months ended June 30, 2024 is as follows:

Number Outstanding Dec 31, 2023	Granted	Exercised	Expired/Cancelled	Number Outstanding Jun 30, 2024	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
333,333	-	-	-	333,333	0.15	Nov 26, 26	2.41
-	1,366,454	-	-	1,366,454	0.15	Mar 07, 29	4.67
333,333	1,366,454	-	-	1,699,787	0.15		4.23

The share purchase warrant continuity for the six months ended June 30, 2023 is as follows:

Number Outstanding Dec 31, 2022	Granted	Exercised	Expired/Cancelled	Number Outstanding Jun 30, 2023	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
333,333	-	-	-	333,333	0.15	Nov 26, 26	3.40

7. NON-CONTROLLING INTEREST

As of June 30, 2024, non-controlling interest includes a 10% interest in AGT Resources Corporation's subsidiary C-Tech Cylon. The following is a continuity schedule of the Company's non-controlling interests:

	C-Tech Cylon	
Non-controlling interest acquired, March 7, 2024	\$	128,291
Share of loss – C-Tech Cylon		(8,025)
Non-controlling interest June 30, 2024	\$	120,266

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

*(Stated in Canadian dollars, unaudited)***7. NON-CONTROLLING INTEREST (continued)**

The table below discloses selected financial information of C-Tech Cylon on a 100% basis:

As at	June 30, 2024	March 7, 2024
Non-controlling percentage	10%	10%
Total assets	\$ 583,000	\$ 443,658
Total liabilities	(719,815)	(499,990)
Net liabilities	\$ (136,815)	\$ (56,332)
Summarized income statement		
Loss and comprehensive loss	(80,258)	(46,887)
Loss allocated to non-controlling interest	(8,025)	(4,688)
Summarized cash flow		
Cash used in operating activities	(78,930)	(102)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2024	December 31, 2023
Trade payables	\$ 93,416	\$ 36,172
Accrued liabilities	28,000	12,500
TOTAL	\$ 121,416	\$ 48,672

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

*(Stated in Canadian dollars, unaudited)***9. RELATED PARTY TRANSACTIONS**

The Company's related parties consist of directors and officers in common and companies owned in whole or in part by executive officers and directors as follows:

Related Party Name	Nature of Transactions
Farris LLP (" Farris "), a company in which former Directors Jay Sujir and Peter Roth are partners ⁽¹⁾	Legal services
Slater Corporate Services Corporation (" SCSC "), a company controlled by former Director Ian Slater ⁽¹⁾	Cost reimbursement, Corporate Secretary, CFO, corporate compliance services, accounting, and financial reporting
Rodney Stevens, Director ⁽²⁾	Cost reimbursement
1163863 ON Ltd (" 1163863 "), a company controlled by Director Don Baxter ⁽²⁾	Wages and benefits

⁽¹⁾ Jay Sujir, Peter Roth and Ian Slater ceased to be directors on March 7, 2024.

⁽²⁾ Don Baxter and Rodney Stevens became the directors on March 7, 2024.

The Company incurred the following fees in connection with companies owned or partially owned by key management and/or directors. Expenses have been measured at the exchange amount, which is determined on a cost recovery basis.

	Three months ended		Six months ended	
	Jun 30, 2024	Jun 30, 2023	Jun 30, 2024	Jun 30, 2023
Cost reimbursement - SCSC	\$ -	\$ 9,000	\$ 9,000	\$ 18,000
Legal fees – Farris	-	42,910	144,526	43,097
Share-based compensation	32,420	-	53,406	-
Wages and benefits - 1163863	30,000	-	40,000	-
Total	\$ 62,420	\$ 51,910	\$ 246,932	\$ 61,097

Related party transactions for the six months ended June 30, 2024, are as follows:

- A company owned by a former Director, Ian Slater, recharged costs in the amount of \$9,000 (2023 - \$18,000) through to March 7, 2024. Ian Slater ceased to be a Director on March 7, 2024.
- Farris LLP, in which two former Directors, Jay Sujir and Peter Roth, are partners provided legal services to the Company in the amount of \$144,526 (2023 - \$43,097) through to March 7, 2024. A balance of \$41,521 was due to Farris LLP as at June 30, 2024 (2023 - \$42,944). Both Jay Sujir and Peter Roth ceased to be Directors on March 7, 2024.
- Compensation of directors and members of key management personnel through stock option grants totalled \$53,406 (2023 - \$nil) as share-based compensation for the six months ended June 30, 2024.
- A company owned by a Director, Don Baxter, provided professional services to the Company in the amount of \$40,000 for the period March 7 to June 30, 2024.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

9. RELATED PARTY TRANSACTIONS *(continued)*

Related party transactions for the six months ended June 30, 2023, are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$18,000 for the period from January 1, 2023, to June 30, 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 \$43,097 for the six months ended June 30, 2023.

Amounts owing to related parties are unsecured, with no specific terms of repayment.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a) Fair Value

Management has assessed that the 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:

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) Risk Management

All aspects of the Company's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2023.

11. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at June 30, 2024, the Company's shareholders' equity was \$2,435,068 and it had current liabilities of \$121,416. 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.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION (FORMERLY AUDREY CAPITAL CORPORATION)

Notes to the Condensed Interim Consolidated Financial Statements

For six months ended June 30, 2024

(Stated in Canadian dollars, unaudited)

12. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration industry. The Company's mineral properties are located in Sri Lanka.