

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

(Formerly Audrey Capital Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Applied Graphite Technologies Corporation ("AGT", or the "Company", formerly "Audrey Capital Corporation") during the six months ended June 30, 2024, and to the date of this report. This MD&A should be read in conjunction with the accompanying financial statements and related notes thereto for the six months ended June 30, 2024 (the "Financial Report") and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are stated in Canadian dollars unless otherwise indicated.

Additional information related to AGT is available on SEDAR + at www.sedarplus.ca

This MD&A contains information up to and including August 21, 2024.

FORWARD-LOOKING INFORMATION

Certain statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 9 of this MD&A.

COMPANY OVERVIEW

The Company's principal business activity is the exploration and evaluation of mineral assets.

The Company's predecessor, Audrey Capital Corporation, was incorporated on March 9, 2021, under the Business Corporations Act of British Columbia. Audrey Capital Corporation filed its final prospectus on SEDAR on September 27, 2021, and was classified as a reporting issuer under the British Columbia Securities Commission ("BCSC") as principal regulator, as well as Alberta, Manitoba, and Ontario. Audrey Capital Corporation's Initial Public Offering (the "IPO") was completed on November 26, 2021, and was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

COMPANY DEVELOPMENTS AND OUTLOOK

On March 7, 2024, the Company consolidated its outstanding share capital on a 1.5:1 basis. The share consolidation has been applied retrospectively and, as a result, all common shares, options, warrants, and per share amounts are stated on an adjusted basis.

On March 7, 2024, the Company completed the previously disclosed qualifying transaction to acquire 100% of the shares 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 Capital Corporation to become AGT Resources Corporation ("AGT Resources"), a wholly owned subsidiary of the Company ("1445056 BC"). The Company, as the Resulting Issuer, will

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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 (\$1,295,697); and
- 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).

MINERAL PROPERTIES

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.

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RESULTS OF OPERATIONS

For the six months ended June 30, 2024, the Company incurred a comprehensive loss of \$426,113. For the six months ended June 30, 2023, the Company incurred a comprehensive loss of \$45,177 (adjusted for deferred legal costs on AGT acquisition).

The following is a summary of operating costs:

| | Six months ended June 30, 2024 | Six months ended June 30, 2023 |
|---------------------------------|-----------------------------------|-----------------------------------|
| EXPENSES | | |
| Exploration expenses | \$ 59,272 | \$ - |
| Filing fees | 41,014 | 15,264 |
| Foreign exchange gain | 773 | - |
| General and administrative | 112,420 | 18,000 |
| Investor relations | 36,025 | 1,220 |
| Professional fees | 40,821 | 10,693 |
| Share-based compensation | 74,081 | - |
| Travel | 18,334 | - |
| Wages and benefits | 42,115 | - |
| Total operating expenses | \$ (424,855) | \$ (45,177) |

The significant expenditures for the six months ended June 30, 2024 were as follows:

- Exploration expenses consist primarily of a LIDAR drone survey;
- Filing fees increased by \$25,750 due to the acquisition of AGT;
- General & Administrative costs increased by \$94,420 due primarily to the AGT acquisition. Key drivers of the increase were a \$40,000 increase in management fees, a \$23,000 increase in consulting fees and a \$30,000 increase in office expenses;
- Professional fees increased by \$30,000 due to audit and legal fees in relation to the AGT acquisition;
- Share-based compensation increased due to the 1,000,000 stock options granted in the period to officers, directors and consultants of the Company;
- Travel expenses were primarily for site visits to the acquired AGT properties in Sri Lanka; and
- Wages and benefits of \$42,115 is primarily executive compensation, which prior to the acquisition of AGT was share based.

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SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results for the eight most recently completed quarters since September 30, 2022:

| | Three months ended | Three months ended | Three months ended | Three months ended | Three months ended | Three months ended | Three months ended | Three months ended |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Jun 30, 2024 | Mar 31, 2024 | Dec 31, 2023 | Sep 30, 2023 | Jun 30, 2023 | Mar 31, 2023 | Dec 31, 2022 | Sep 30, 2022 |
| Loss for the period | 277,064 | 149,049 | 33,368 | 18,679 | 20,109 | 25,068 | 24,122 | 13,191 |
| Loss per share basic and diluted | 0.02 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The Results of Operations section above provides information regarding the significant expenditures for the period from September 30, 2022, to June 30, 2024.

During the quarter ended June 30, 2024, the Company incurred an additional \$244,989 in operating costs versus the comparative period in the prior year. The acquisition of AGT resulted in an additional \$109,205 in exploration costs, share based compensation, and wages, for which there are no prior year comparatives. The remaining \$135,784 operating cost increase was a combination of general and administrative, filing, investor relations and professional fees.

The quarter ended March 31, 2024, included the acquisition of AGT. This acquisition resulted in an overall increase of \$121,643 in operating costs. The primary drivers of the increase were exploration, accounting, filling and legal fees, wages and benefits, and share based compensation.

During all previous quarters ended between September 30, 2022, through to December 31, 2023, the Company incurred costs mostly related to accounting, administrative and filing fees.

LIQUIDITY AND CAPITAL RESOURCES

| Components | June 30, 2024 | December 31, 2023 |
|-------------------|---------------|-------------------|
| Working capital | \$ 321,678 | \$ 726,001 |
| Total assets | 2,556,484 | 958,462 |
| Total liabilities | 121,416 | 48,672 |
| Share capital | 2,802,848 | 1,207,151 |
| Reserves | 474,140 | 246,737 |
| Deficit | (960,633) | (544,098) |

The Company had cash of \$290,798 as at June 30, 2024.

At present, the Company has no operations that generate cash flow, and its financial success is dependent on the Company's ability to successfully raise required funding through future equity issuances, asset sales, or a combination thereof.

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Many factors influence the Company's ability to raise funds, including the health of global equity prices, the Company's track record, and the experience and quality of its management team. The Company relies on equity financings and the exercise of options and warrants to fund its acquisitions and its general and administrative expenses.

There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favorable. To date, the Company has not used debt or other means of financing to further its operations, and the Company has no plans to use debt financing at the present time.

OUTSTANDING SHARE DATA

a) Common Shares

On May 24, 2024, the company completed a private placement financing of 2,000,000 shares, at a price of \$0.15, for total proceeds of \$300,000.

On March 7, 2024, the Company issued the former shareholders of AGT 8,200,605 common shares. The Company has transferred to escrow 10,478,191 shares that will be released rateably in tranches over either 18 or 36 month periods, respectively, beginning March 8, 2024.

b) 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.

c) Stock Options

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 their grant.

As of the date of this MD&A, the issued and outstanding shares, options and warrants of the Company are as follows:

| | |
|-------------------------|------------|
| Common Shares | 23,533,938 |
| Stock Options | 2,333,333 |
| Share Purchase Warrants | 1,699,787 |

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:

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| 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 & CEO, 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.

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

- 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.

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- 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.

FINANCIAL INSTRUMENTS

Refer to Note 10 of the Company's financial statements for the six months ended June 30, 2024, for disclosure regarding the Company's financial instruments. The Company has designated its cash and amounts receivable as financial assets at amortized cost and accounts payable and accrued liabilities as financial liabilities at amortized cost.

FAIR VALUE

Management has assessed those fair values of cash, accounts payable and accrued liabilities approximate their carrying amounts, largely due to the short-term maturities 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

PROPOSED TRANSACTIONS

There are no proposed transactions that have not been disclosed herein.

CONTINGENCIES

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual reports could differ from management's estimates. The accounting estimates and judgments

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considered to be significant to the Company include the computation of share-based payments expense and warrants.

The Company uses the fair-value method of accounting for incentive stock options and warrants granted, modified, or settled. Under this method, the costs attributable to options granted are measured at fair value at the grant date and expensed over the vesting period. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options, and an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the share-based payments costs being less than or greater than the amount recorded. In determining the fair value of the warrants, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate.

CHANGES IN ACCOUNTING POLICIES

The Company has not made any changes to accounting policies during period from January 1, 2024, to June 30, 2024. Refer to Note 3 of the Company's financial statements for the six months ending June 30, 2024.

RISKS AND UNCERTAINTIES

The following are risk factors associated with the Company:

- a) the Company has not commenced commercial operations. It has no history of earnings, and shall not generate earnings or pay dividends until some time in the future;
- b) investment in the common shares of the Company is highly speculative given the proposed nature of the Company's business and its present stage of development;
- c) the directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- d) there can be no assurance that an active and liquid market for the Company's common shares exists, and an investor may find it difficult to resell its common shares;
- e) Trading in common shares may be halted for other reasons, such as failure by the Company to submit documents to the TSX-V within the time periods required;
- f) Certain directors of the Company reside outside of Canada, and investors may find it difficult or impossible to effect service of notice to commence legal proceedings upon any directors resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts; and

As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the common shares.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon several estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic, and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with potential acquisitions, financing of the Company's acquisitions and other activities, and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors, including those set out below, that may never materialize, prove incorrect, or materialize other than as currently contemplated, which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact, and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the ability of the Company to successfully acquire assets;
- access to funding to support the Company's strategic plans and/or operating activities in the future;
- the volatility of currency exchange rates and global prices;
- the continued participation in the Company of certain key employees; and
- risks normally incident to the acquisition.

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This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document and other documents periodically filed with or furnished to the relevant securities regulators. All subsequent written and forward-looking oral statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events, or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at www.sedarplus.ca

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A on August 21, 2024. A copy of this MD&A is filed on SEDAR+.