

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Applied Graphite Technologies Corporation

Opinion

We have audited the accompanying consolidated financial statements of Applied Graphite Technologies Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had deficiency in working capital of \$142,294 and incurred a net loss of \$787,055 and used cash in operations of \$689,765 during the year ended December 31, 2024. As stated in Note 1, these events and conditions 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 consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$2,160,606 as of December 31, 2024. As more fully described in Notes 2 and 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining supporting documentation to confirm ownership of the properties.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current year ended 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 Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 16, 2025

APPLIED GRAPHITE TECHNOLOGIES CORPORATION
Consolidated statements of financial position
(Expressed in Canadian dollars)

	<i>Note</i>	December 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalent		\$ 34,090	\$ 768,764
Amounts receivable		13,869	5,909
Prepaid expenses		15,665	-
		63,624	774,673
Non-current assets			
Deferred acquisition costs		-	183,789
Deposit	6	126,734	-
Equipment	5	24,080	-
Mineral properties	6	2,160,606	-
		2,311,420	183,789
Total assets		\$ 2,375,044	\$ 958,462
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 205,918	\$ 48,672
Total liabilities		205,918	48,672
EQUITY			
Share capital	7(a), 7(b)	\$ 2,802,848	\$ 1,207,151
Share-based reserves	7(d)	318,684	212,438
Warrant reserves	7(e)	187,621	34,299
Deficit		(1,317,504)	(544,098)
Accumulated other comprehensive loss		62,835	-
Total equity attributable to the parent company		\$ 2,054,484	\$ 909,790
Non-controlling interest	8	114,642	-
Equity		2,169,216	909,790
Total liabilities and equity		\$ 2,375,044	\$ 958,462

Subsequent event (Note 1)

Approved for issue by the Board of Directors on April 16, 2025:

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 consolidated financial statements.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION
Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	Year ended December 31,	
		2024	2023
Expenses			
Project evaluation costs	6	\$ 90,610	\$ -
Filing fees		76,144	32,562
Foreign exchange loss		5,750	-
General and administrative		227,328	36,000
Investor relations		60,970	5,890
Professional fees		61,012	22,772
Share-based compensation	7(d)	106,246	-
Travel		37,496	-
Wages and benefits		122,419	-
		\$ (787,975)	\$ (97,224)
Other Income			
Interest income		920	-
		\$ 920	\$ -
Loss for the year		\$ (787,055)	\$ (97,224)
Loss attributed to:			
Non-controlling interests		(13,649)	-
Shareholders of the Company		(773,406)	(97,224)
Loss for the year		\$ (787,055)	\$ (97,224)
Other comprehensive loss			
Foreign currency translation differences for foreign operations		62,835	-
Comprehensive loss for the year		\$ (724,220)	\$ (97,224)
Attributed to:			
Non-controlling interests	8	(13,649)	-
Shareholders of the Company		(710,571)	(97,224)
Comprehensive loss for the year		\$ (724,220)	\$ (97,224)
Basic and diluted loss per common share		\$ (0.06)	\$ (0.01)
Weighted average number of common shares outstanding		13,208,769	4,333,333

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	<i>Note</i>	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		\$ (787,055)	\$ (97,224)
<i>Adjustment for Items not involving cash:</i>			
Share-based compensation	7(d)	106,246	-
Depreciation		1,175	-
Foreign exchange		(21,491)	-
		(701,125)	(97,224)
<i>Net changes in non-cash working capital items:</i>			
Prepaid expenses		28,084	-
Amounts receivable		18,308	(5,414)
Accounts payable and accrued liabilities		(35,032)	395
Net cash outflows from operating activities		(689,765)	(102,243)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of AGT		6,057	-
Transaction costs for acquisition of AGT		(165,259)	-
Purchase of PPE		(23,491)	-
Deposit		(117,468)	-
Deferred acquisition costs		-	(149,717)
Mineral properties and equipment acquisition		(44,748)	-
Net cash outflows from investing activities		(344,909)	(149,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		300,000	-
Net cash inflows from financing activities		300,000	-
Change in cash and cash equivalent in the year		(734,674)	(251,960)
Cash and cash equivalent, beginning of the year		768,764	1,020,724
Cash and cash equivalent, end of the year		\$ 34,090	\$ 768,764

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	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 year	-	-	-	-	-	(97,224)	-	(97,224)
Balance, December 31, 2023	13,333,333	\$ 1,207,151	\$ 212,438	\$ 34,299	\$ -	\$ (544,098)	\$ -	\$ 909,790
Common shares issued for acquisition (<i>Note 4</i>)	8,200,605	1,295,697	-	-	-	-	-	1,295,697
Common shares issued for cash (<i>Note 7(b)</i>)	2,000,000	300,000	-	-	-	-	-	300,000
Value of warrants Issued	-	-	-	153,322	-	-	-	153,322
Share-based payments	-	-	106,246	-	-	-	-	106,246
Foreign currency translation adjustment	-	-	-	-	62,835	-	-	62,835
Non-controlling interest acquired (<i>Note 4</i>)	-	-	-	-	-	-	128,291	128,291
Loss for year to Non-controlling interest (<i>Note 8</i>)	-	-	-	-	-	13,649	(13,649)	-
Loss for the year	-	-	-	-	-	(787,055)	-	(787,055)
Balance, December 31, 2024	23,533,938	\$ 2,802,848	\$ 318,684	\$ 187,621	\$ 62,835	\$ (1,317,504)	\$ 114,642	\$ 2,169,216

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Applied Graphite Technologies 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. The Company's common shares are traded on the TSX-V under the symbol "AGT".

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 December 31, 2024, the Company had cash of \$34,090 and deficiency in working capital of \$142,294. For the year ended December 31, 2024, the Company incurred a net loss of \$787,055 and used cash in operations of \$689,765.

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.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at December 31, 2024.

These consolidated financial statements were authorized for issue by the Board of Directors on April 16, 2025.

b) Basis of Measurement

These consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments that are measured at fair value, 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.

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 mineral properties, 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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***3. MATERIAL ACCOUNTING POLICY INFORMATION****Principles of Consolidation**

These consolidated financial statements include the accounts of the Company, and its subsidiaries and branch operations from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee, and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Ownership Interest	Principal Activity
AGT Resources Corporation	Province of British Columbia	100%	Holding company
C-Tech Ceylon	Sri Lanka	90%	Mineral exploration

Determination of control by one entity over another

Subsidiaries include entities which are controlled by the Company and are accounted for through consolidation. Investments in associates and joint ventures include entities in which the Company has significant influence, but not control or joint control, and are accounted for using the equity method.

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 at the end of each reporting period or 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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

Equipment

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized in project evaluation costs on a declining balance basis at the following rates:

- Field Equipment – 20% per annum

A straight-line basis over the estimated useful lives of each asset or component part of an item or equipment, may be applied depending on which method (and rate) most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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.

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).

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (*continued*)

Financial instruments

The Company's accounting policies for financial assets are as follows:

Financial assets – Classification

Financial assets are classified at initial recognition as either measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows

For assets measured at fair value, gains and losses will be recorded in either earnings or loss, or other comprehensive income or loss ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the investment at FVOCI.

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

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in earnings or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies debt instruments:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in earnings or loss when the asset is derecognized or impaired. Interest income from those financial assets is included in interest and finance (expense) income using the effective interest rate method.
- FVTPL – Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in earnings or loss and presented net in the statement of loss and other comprehensive loss within other gains (losses) in the period in which it arises.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

- FVOCI – Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in earnings or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to earnings or loss and recognized in other gains (losses). Interest income from these financial assets is included in interest and finance (expense) income using the effective interest rate method. Foreign exchange gains and losses are presented in foreign exchange (loss) gain and impairment expenses in other expenses.

Changes in the fair value of financial assets at FVTPL are recognized in profit or loss as applicable.

Impairment of financial assets

The Company assesses, on a prospective basis, the expected credit losses associated with any debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company's financial liabilities comprise accounts payable and accrued liabilities, which are classified at amortized cost.

Environmental rehabilitation obligation

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

As at December 31, 2024, the Company recorded \$Nil (2023 – \$Nil) in decommissioning liabilities relating to its exploration and evaluation assets.

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has been closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Warrants

The Company has issued completed a qualifying transaction. As a part of this transaction, the Company issued warrants as part of the equity consideration. The warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares.

Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or when the individual provides services similar to those performed by an employee.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from those parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arise from temporary differences between the tax and accounting values of assets and liabilities and are recorded based on tax rates expected to be enacted when those differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and therefore is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect were at the beginning of the period. The calculation of the diluted number of common shares assumes that

proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

New accounting standards adopted

In October 2023, the IASB issued amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Noncurrent Liabilities with Covenants. These amendments increase the disclosure required to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company determined that these amendments didn’t have a material effect on its consolidated financial statements.

New standards issued and not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2024.

On April 9, 2024, the IASB issued a new standard – IFRS 18, “Presentation and Disclosure in Financial Statements” with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’. The Company is currently assessing the impact the new standard will have on its financial statements.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

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 the Company to become AGT Resources Corporation ("AGT Resources"), a wholly owned subsidiary of the Company. The Company, as the Resulting Issuer, continues 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) (Note 7b);
- 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 7e);

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 because 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		(168,885)
Non-controlling interest		(128,291)
	\$	1,821,460
Cost of acquisition:		
Consideration issued at fair value	\$	1,449,019
Transaction costs		372,441
Total acquisition costs	\$	1,821,460

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***5. EQUIPMENT**

		Field Equipment
Cost		
Balance at December 31, 2023 and 2022	\$	-
Additions		23,491
Foreign exchange		1,856
Balance at December 31, 2024	\$	25,347
Accumulated depreciation		
Balance at December 31, 2023	\$	-
Depreciation		1,175
Foreign exchange		92
Balance at December 31, 2024	\$	1,267
Net book value, December 31, 2023	\$	-
Net book value, December 31, 2024	\$	24,080

6. MINERAL PROPERTY**Queen's Mine Complex**

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

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 Queen's Mine Complex which consists of the Queen's Mine, D1 and Q2 properties. The properties were purchased outright by C-Tech and accordingly, there is no expiry on the titles.

As at year-end, the Company does not hold any mining licenses. Except for acquisition costs, all costs incurred during the year have been classified as project evaluation or pre-exploration costs, in accordance with the Company's accounting policies. These costs relate to activities undertaken to assess the potential of mineral properties prior to the acquisition of a mining license.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***6. MINERAL PROPERTY (continued)**

Mineral Properties as at December 31, 2024:

	December 31, 2023	Acquisition of AGT	Additions	Effect of movement in exchange rates	December 31, 2024
D1	\$ -	\$ 1,724,250	\$ -	\$ 50,192	\$ 1,774,447
Q2	-	317,862	-	7,367	325,229
Queen's	-	-	44,780	16,182	60,930
TOTAL	\$ -	\$ 2,042,112	\$ 44,780	\$ 73,746	\$ 2,160,606

The Company paid a deposit of \$126,734 (2023 - \$Nil) in relation to several parcels of land and properties adjacent to the existing properties.

Exploration Expenditures

Exploration and evaluation expenditures incurred during year ended December 31, 2024 and 2023 are as follows:

	For the year ended	
	December 31, 2024	December 31, 2023
Depreciation	\$ 1,175	\$ -
Land maintenance	14,704	-
Polybutylene charges	2,711	-
Site expenses	13,114	-
Survey and geophysics	22,589	-
General exploration	36,317	-
TOTAL	\$ 90,610	\$ -

7. 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 year ended December 31, 2024, pursuant to the Qualifying Transaction, the Company consolidated its common shares on a 1.5:1 basis. These financial statements are reflective of the share consolidation.

At December 31, 2024, the Company had 23,533,938 (2023 – 13,333,333) common shares issued and outstanding.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***7. SHAREHOLDERS' EQUITY (continued)**

During the year ended December 31, 2024, the Company:

- Completed, on May 22 and 24, 2024, a private placement financing of 2,000,000 shares, at a price of \$0.15, for total proceeds of \$300,000; and
- 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 (Note 4).

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. The balance of shares held in escrow as at December 31, 2024, is 8,038,902 common shares.

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 year ended December 31, 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.

The stock option continuity for the year ended December 31, 2024, is as follows:

Number Outstanding Dec 31, 2023	Granted	Exercised	Expired / Cancelled	Number Outstanding Dec 31, 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	0.18
200,000	-	-	-	200,000	0.15	Nov 26, 26	1.90
-	800,000	-	100,000	700,000	0.15	Mar 23, 29	4.23
-	200,000	-	-	200,000	0.15	Mar 23, 29	4.23
1,333,333	1,000,000	-	100,000	2,233,333	0.15		1.97
			Exercisable	2,233,333	0.15		1.97

As at December 31, 2024, a total of 2,233,333 outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.15. A total of 566,667 stock options are subject to escrow as at December 31, 2024.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***7. SHAREHOLDERS' EQUITY (continued)**

The stock option continuity for the year ended December 31, 2023, is as follows:

Number Outstanding Dec 31, 2022	Granted	Exercised	Expired / Cancelled	Number Outstanding Dec 31, 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	1.18
200,000	-	-	-	200,000	0.15	Nov 26, 26	2.91
1,333,333	-	-	-	1,333,333	0.15		1.44
Exercisable				1,333,333	0.15		1.44

As at December 31, 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	\$0.17	\$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	\$0.12	\$0.11	\$0.25	\$0.07

During the year ended December 31, 2024, the Company recognized share-based compensation of \$106,246 (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.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***7. SHAREHOLDERS' EQUITY (continued)**

The share purchase warrant continuity for the year ended December 31, 2024 is as follows:

Number Outstanding Dec 31, 2023	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2024	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
333,333	-	-	-	333,333	0.15	Nov 26, 26	1.90
-	1,366,454	-	-	1,366,454	0.15	Mar 07, 29	4.18
333,333	1,366,454	-	-	1,699,787	0.15		3.74

The share purchase warrant continuity for the year ended December 31, 2023 is as follows:

Number Outstanding Dec 31, 2022	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2023	Exercise Price per Share (\$)	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
333,333	-	-	-	333,333	0.15	Nov 26, 26	2.91

8. NON-CONTROLLING INTEREST

As of December 31, 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 Ceylon
Non-controlling interest acquired, March 7, 2024	\$ 128,291
Share of comprehensive loss – C-Tech Cylon	(13,649)
Non-controlling interest December 31, 2024	\$ 114,642

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

As at	From March 8 to December 31, 2024
Non-controlling percentage	10%
Total assets	\$ 2,311,472
Total liabilities	(810,780)
Net assets	\$ 1,500,692
Summarized income statement	
Loss and comprehensive loss	136,493
Comprehensive loss allocated to non-controlling interest	13,649

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2024	December 31, 2023
Trade payables	\$ 180,918	\$ 36,172
Accrued liabilities	25,000	12,500
TOTAL	\$ 205,918	\$ 48,672

10. 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
C R Abeyratne ("CRA"), a company controlled by Director Chaanaka Abeyratne ⁽²⁾	Wages and benefits

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

⁽²⁾ Don Baxter, Rodney Stevens, and Chaanaka Abeyratne 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.

	Year ended December 31, 2024	Year ended December 31, 2023
Cost reimbursement - SCSC	\$ 104,419	\$ 27,000
Legal fees – Farris	144,526	60,641
Share-based compensation	71,130	-
Wages and benefits - 1163863	100,000	-
Wages and benefits – CRA	14,464	-
Total	\$ 434,539	\$ 87,641

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (continued)

Related party transactions for the year ended December 31, 2024, are as follows:

- a) A company owned by a former Director, Ian Slater, recharged costs in the amount of \$104,419 (2023 - \$36,000). Ian Slater ceased to be a Director on March 7, 2024.
- b) 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 - \$152,072) through to March 7, 2024. A balance of \$41,521 was due to Farris LLP as at December 31, 2024 (2023 - \$34,072). Both Jay Sujir and Peter Roth ceased to be Directors on March 7, 2024.
- c) A company owned by a Director, Don Baxter, provided professional services to the Company in the amount of \$100,000 for the period March 7 to December 31, 2024. A balance of \$22,600 was due to 1163863, Ontario Limited as at December 31, 2024.
- d) A company owned by a Director, Chaanaka Abeyratne, provided professional services to the Company in the amount of \$14,464 for the period March 7 to December 31, 2024. A balance of \$4,920 was due to C R Abeyratne as at December 31, 2024.
- e) Compensation of directors and members of key management personnel through stock option grants totalled \$71,130 (2023 - \$nil) as share-based compensation for the year ended December 31, 2024.

Related party transactions for the year ended December 31, 2023 are as follows:

- a) A company owned by a Director, Ian Slater, recharged costs in the amount of \$36,000 (2022- \$36,000) for the year ended December 31, 2023;
- b) Farris LLP, in which two of the Directors, Jay Sujir and Peter Roth, are partners provided legal services to the Company in the amount of \$152,072 (2022 - \$6,683), of which \$150,002 was recorded as Deferred Acquisition Costs for the year ended December 31, 2023. A balance of \$34,072 was due to Farris LLP as at December 31, 2023 (2022 – nil).
- c) Compensation of directors and members of key management personnel through stock option grants totalled \$Nil (2022 - \$88,960) as share-based compensation for the year ended December 31, 2023.

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

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has designated its cash and cash equivalent, amounts receivable and accounts payable as financial instruments at amortized cost.

a) Fair Value

Management has assessed that the fair values of cash and cash equivalent, amounts receivable 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) Financial Risk Management

Credit Risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is attributable to its liquid financial assets including cash. The Company limits exposure to credit risk by maintaining its cash with a major Canadian financial institution. Credit risk surrounding the Company's receivables is limited due to the nature of the receivables as they are primarily due from governmental agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to determine the funds required to support the Company's normal operating requirements on an ongoing basis. Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to equity financing is dependent upon market conditions and market risks. There can be no assurance of continued access to equity funding. As at December 31, 2024, the Company had a cash balance of \$34,090 to settle current liabilities of \$205,918.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)**Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

Commodity Price Risk

While the value of the Company's mineral properties is related to the market price of based metals, the Company does not currently have any operating mines and therefore does not have any hedging or other commodity-based risks with respect to its operating activities.

12. CAPITAL MANAGEMENT

Capital is composed of the Company's equity and any debt that it may issue. As at December 31, 2024, the Company's equity was \$2,169,918 and it had current liabilities of \$205,918. 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.

13. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration industry. All of the Company's non-current assets are located in Sri Lanka.

APPLIED GRAPHITE TECHNOLOGIES CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

*(Expressed in Canadian dollars)***14. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Loss before income taxes	\$ (787,055)	\$ (97,224)
Expected income tax (recovery)	(213,000)	(26,000)
Changes in statutory, foreign tax, foreign exchange rates, and other	8,000	2,000
Permanent differences	9,000	-
Adjustment to prior years provision versus statutory tax returns	(1,000)	(6,000)
Changes in unrecognized deductible temporary differences	197,000	30,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2024	Expiry Date Range	2023	Expiry Date Range
Temporary Differences				
Share issue costs	113,000	2045 to 2048	47,000	2045
Non-capital losses	1,197,000		398,000	
Canada	1,067,000	2021 to 2044	398,000	2021 to 2043
Sri Lanka	131,000	2030		

Tax attributes are subject to review and potential adjustment by tax authorities.

15. SUBSEQUENT EVENT

Subsequent to December 31, 2024, the Company:

- on March 7, 2025, 1,133,333 options at \$0.15 expired unexercised.