



**Unaudited Condensed Interim Financial Statements of
STANDARD GRAPHITE CORPORATION**

(An Exploration Stage Company)

March 31, 2016

STANDARD GRAPHITE CORPORATION

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

March 31, 2016

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Financial Statements

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

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of Standard Graphite Corp. for the three and nine months ended March 31, 2016 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed interim financial statements by an entity's auditor.

STANDARD GRAPHITE CORP.*(An Exploration Stage Company)*

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (un-audited)

As at March 31, 2016 and June 30, 2015

Expressed in Canadian Dollars

| | Note | | March 31 2016 | | June 30 2015 |
|--|------|----|------------------|----|-----------------|
| ASSETS | | | | | |
| Current | | | | | |
| Cash | 4 | \$ | 35,840 | \$ | 16,980 |
| Short-term investments | 4 | | 28,750 | | 28,750 |
| Taxes recoverable | 5 | | 5,122 | | 12,429 |
| Prepaid expenses and advances | | | 4,966 | | 9,501 |
| Available-for-sale investment | 6 | | 600 | | 600 |
| Related party receivable | 13 | | 36,160 | | 12,979 |
| | | | 111,438 | | 81,239 |
| Non-Current | | | | | |
| Equipment | 7 | | 568 | | 968 |
| Exploration and evaluation assets | 8 | | 275,497 | | 281,795 |
| | | \$ | 387,503 | \$ | 364,002 |
| LIABILITIES | | | | | |
| Current | | | | | |
| Trade and other payables | 9,13 | \$ | 495,623 | \$ | 227,214 |
| SHAREHOLDERS' (DEFICIENCY) EQUITY | | | | | |
| Share capital | 10 | | 5,849,329 | | 5,836,363 |
| Contributed surplus | 10 | | 1,097,533 | | 1,097,533 |
| Deficit | | | (7,054,982) | | (6,797,108) |
| | | | (108,120) | | 136,789 |
| | | \$ | 387,503 | \$ | 364,002 |

Approved on behalf of the Board of Directors by:

"Stephen Tong"
Stephen Tong

Director

"Christopher Bogart"
Christopher Bogart

Director

The accompanying notes form an integral part of these financial statements

STANDARD GRAPHITE CORP.*(An Exploration Stage Company)***CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)**

For the three months and nine months ended March 31

Expressed in Canadian Dollars

| | | Three Months Ended March 31 | | Nine Months Ended March 31 | |
|--|-------|--------------------------------|-----------|-------------------------------|------------|
| | Note | 2016 | 2015 | 2016 | 2015 |
| Expenses | | | | | |
| Administrative and general | 12,13 | \$ 58,063 | \$ 60,305 | \$ 167,776 | \$ 199,032 |
| Depreciation | 7 | 132 | 913 | 400 | 2,759 |
| Property investigation | 13 | 23,417 | 25,500 | 89,953 | 76,500 |
| Total expenses | | 81,612 | 86,718 | 258,128 | 278,291 |
| Loss before other items | | (81,612) | (86,718) | (258,128) | (278,291) |
| Other items | | | | | |
| Interest income | | 143 | 189 | 255 | 1,624 |
| Net loss for the period | | (81,469) | (86,529) | (257,874) | (276,667) |
| Fair value loss on available-for-sale investment | | - | (600) | - | (3,400) |
| Total comprehensive loss for the period | | (81,469) | (87,129) | (257,874) | (280,067) |
| Loss per share for the period | 15 | \$ (0.00) | \$ 0.00 | \$ (0.00) | \$ (0.01) |

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

STANDARD GRAPHITE CORP.*(An Exploration Stage Company)*

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-audited)

For the nine months ended March 31

Expressed in Canadian Dollars

| | Common Shares | Contributed Surplus | Accumulated Comprehensive Other Income | Accumulated Deficit | Total |
|--|---------------------|---------------------|--|-----------------------|-------------------|
| Balance June 30, 2014 | \$ 5,799,473 | \$1,097,533 | \$ 2,000 | \$ (5,747,047) | \$ 1,151,959 |
| Loss for the period | - | - | - | (276,667) | (276,667) |
| Available-for-sale investment | - | - | (3,400) | - | (3,400) |
| Share based payments for exploration and evaluation assets | 39,500 | - | - | - | 39,500 |
| Share issue costs | (2,609) | - | - | - | (2,609) |
| Balance March 31, 2015 | \$ 5,836,364 | \$1,097,533 | \$ (1,400) | \$ (6,023,714) | \$ 908,783 |

| | | Common Shares | Contributed Surplus | Accumulated Deficit | Total |
|--|------|---------------------|---------------------|-----------------------|---------------------|
| Balance June 30, 2015 | Note | \$ 5,836,363 | \$1,097,533 | \$ (6,797,108) | \$ 136,789 |
| Loss for the period | | - | - | (257,874) | (257,874) |
| Return to treasury | 8,10 | (2,083) | - | - | (2,083) |
| Share-based payments for exploration and evaluation assets | 8,10 | 16,056 | - | - | 16,056 |
| Share issue costs | | (1,007) | - | - | (1,007) |
| Balance March 31, 2016 | | \$ 5,849,329 | \$1,097,533 | \$ (7,054,982) | \$ (108,120) |

The accompanying notes form an integral part of these financial statements

STANDARD GRAPHITE CORP.*(An Exploration Stage Company)***CONDENSED INTERIM STATEMENTS OF CASH FLOWS (un-audited)**

For the nine months ended March 31

Expressed in Canadian Dollars

| | Note | 2016 | 2015 |
|---|------|----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Net loss for the period | \$ | (257,874) | \$ (276,667) |
| Items not affecting cash | | | |
| Depreciation | | 400 | 2,759 |
| Changes in non-cash working capital | | | |
| Taxes receivable | 5 | 7,307 | 184,674 |
| Trade and other payables | 9 | 268,409 | 113,547 |
| Prepaid expenses and advances | | 4,535 | 11,317 |
| Due from related parties | 13 | (23,182) | |
| Cash provided (used) in operating activities | | (404) | 35,631 |
| Cash Flows From Investing Activities | | | |
| Taxes recoverable | | 26,829 | - |
| Investment in exploration and evaluation assets, net recoveries | | (4,475) | (44,407) |
| Cash used in investing activities | | 22,354 | (44,407) |
| Cash Flows from Financing Activities | | | |
| Return to treasury | 8 | (2,083) | |
| Share issue costs | 10 | (1,007) | (2,609) |
| Cash used in financing activities | | (3,090) | (2,609) |
| Increase (decrease) in cash during the period | | 18,860 | (11,385) |
| Cash, beginning of period | | 16,980 | 15,782 |
| Cash, end of period | \$ | 35,840 | \$ 4,397 |

Supplemental cash flow information – Note 17

The accompanying notes form an integral part of these financial statements

STANDARD GRAPHITE CORPORATION

(An Exploration Stage Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

1. CORPORATION INFORMATION

Standard Graphite Corporation (the "Company") was incorporated in the province of British Columbia on September 18, 2006 under the *Business Corporations Act* of British Columbia. On January 27, 2012, the Company received shareholder approval to change the Company's name to Standard Graphite Corporation. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "SGH". The Company is a Tier 2 issuer and its corporate office and principal place of business is located at 350 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

The Company is primarily engaged in the acquisition and exploration of mineral properties located in Canada. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's current properties include Diego, Sandy Lake, Sandy Lake NE and Carheil Lake properties located in Quebec.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements for the three and nine month period ended March 31, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2015 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee.

The financial statements were authorized for issue by the Board of Directors on May 30, 2016.

These financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. The financial statements are presented in Canadian dollars ("CDN"), which is the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going Concern

The Company has not yet achieved profitable operations. These condensed interim financial statements are prepared on a going concern basis 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. The Company has incurred a net loss of \$257,874 for the nine months ended March 31, 2016 and has accumulated a deficit of \$7,054,982 since inception. The Company had a working capital deficit of \$384,185 as at March 31, 2016 (June 30, 2015 - \$145,975), which indicates the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

STANDARD GRAPHITE CORPORATION

(An Exploration Stage Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going Concern (cont'd)

No adjustments to the carrying values of the assets and liabilities have been made in these financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting years beginning on or after July 1, 2015. The Company has not assessed the impact from adopting these standards.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing International Accounting Standards ("IAS") 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning July 1, 2018.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The effect of a change in an accounting estimate is recognized in the period of the change, if the change affects that period only, or in the period of the change and future years, if the change affects both.

There has been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2015 annual financial statements.

STANDARD GRAPHITE CORPORATION

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015
(Expressed in Canadian Dollars)

4. CASH AND SHORT-TERM INVESTMENTS

Cash consists of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

At March 31, 2016, the Company held two guaranteed investment certificates ("GIC") with market values of \$17,250 and \$11,500, earning interest at approximately 0.90% and 0.85% per annum and maturing January 14, 2017 and July 22, 2016, respectively. These GICs were cashable at the Company's option and were considered to be the same as cash; however, because the maturity date is greater than three months beyond the period-end date, they have been reported as short-term investment on the Company's statement of financial position.

5. TAXES RECOVERABLE

| | March 31 2016 | June 30 2015 |
|--------------------------------------|------------------|-----------------|
| Sales taxes receivable | (1,567) | 5,741 |
| Quebec Mining tax credits receivable | 6,689 | 6,688 |
| | \$5,122 | \$12,429 |

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada. The Quebec mining exploration tax credits receivable represent a refund claim applied for on exploration expenditures incurred in Quebec during the year ended June 30, 2015.

6. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of an investment in 40,000 (post consolidation of 10:1) common shares of Apple Capital Inc. (formerly Terra Firma Resources Inc.). The fair value of \$600 (June 30, 2015 - \$600) of the available-for-sale investments has been determined by reference to published price quotations in an active market, a Level 1 valuation. During the year ended June 30, 2015 the Company recorded \$3,400 as a loss of investment on marketable securities of which \$2,000 was recognized in other comprehensive income reducing the balance to \$Nil, and \$1,400 was recorded as a write-down on available-for-sale investments in profit or loss, on the basis of a prolonged decline in fair value of these securities.

7. EQUIPMENT

| | Furniture & Fixtures | |
|---|----------------------|---------------|
| Cost | | |
| Balance at June 30, 2014 | \$ | 18,311 |
| Assets acquired | | - |
| Balance June 30, 2015 | | 18,311 |
| Balance March 31, 2016 | \$ | 18,311 |
| Depreciation and impairment losses | | |
| Balance at June 30, 2014 | \$ | 13,916 |
| Depreciation for the period | | 3,427 |
| Balance at June 30, 2015 | \$ | 17,343 |
| Depreciation for the period | | 400 |
| Balance March 31, 2016 | \$ | 17,743 |
| Carrying amounts | | |
| Carrying value at June 30, 2015 | \$ | 968 |
| Carrying value at March 31, 2016 | \$ | 568 |

STANDARD GRAPHITE CORPORATION*(An Exploration Stage Company)*

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015

*(Expressed in Canadian Dollars)***8. EXPLORATION AND EVALUATION ASSETS**

| | Diego Project Quebec | Graphite Projects Quebec | Total |
|---|---------------------------------|-------------------------------------|-------------------|
| Costs | | | |
| Balance at June 30, 2014 | \$ - | \$913,582 | \$913,582 |
| Acquisition costs | 25,000 | 24,500 | 49,500 |
| Exploration costs | | 23,888 | 23,888 |
| Quebec Mining Tax Credits | | (27,233) | (27,233) |
| Impairment of exploration and evaluation assets | | (677,942) | (677,942) |
| Balance at June 30, 2015 | \$25,000 | \$256,795 | \$281,795 |
| Acquisition costs | - | 20,531 | 20,531 |
| Quebec Mining Tax Credits | - | (26,829) | (26,829) |
| Balance at March 31, 2016 | \$25,000 | \$250,497 | \$ 275,497 |

Diego, Quebec, Canada*Diego Property*

On November 17, 2014, the Company and Cartier Resources (“Cartier”) entered into a purchase agreement wherein the Company acquired a 100% interest in claims collectively referred to as the “Diego Property”. The Diego Property is located southwest of the town of Chapais, in the Province of Quebec.

Consideration for the acquisition included the issuance of 1,000,000 common shares of the Company (issued). Cartier will retain a 2% net smelter return (“NSR”) royalty, with each tranche of 1% NSR being redeemable for \$1,000,000.

Graphite Properties, Quebec, Canada*Mousseau Property*

On April 23, 2012, the Company entered into a Definitive Agreement with a Vendor for the acquisition of the Mousseau East Deposit (“Mousseau Agreement”) located northeast of the town of Mont-Laurier in northwestern Québec. The Mousseau Agreement was accepted by the Exchange on July 20, 2012.

Under the terms of the amended agreement, the Company could acquire a 100% interest in the project by making aggregate payments of \$375,000 and issuing shares with an aggregate value of \$400,000 (based on the ten day volume weighted average price (“VWAP”) as of issuance) and incurring expenditures on the properties totaling at least \$100,000. In the event VWAP for such periods is less than \$0.30 per share, for the purpose of such calculation, VWAP shall be deemed to be \$0.30 per share.

On July 17, 2013, the Company and Vendor amended the Mousseau Agreement, (the “Mousseau Amending Agreement”) revising the \$100,000 cash payment due July 20, 2013. On October 21, 2014, the Company and Vendor amended the terms of the Mousseau Agreement (“Amending Agreement No. 2”) revising the \$200,000 cash payment and \$200,000 common shares due July 20, 2014.

As at June 30, 2015, the Company was in default of its payments due under the Amending Agreement No. 2, and was unsuccessful in a further amendment with the Vendors, and as such the Company returned the property as at June 30, 2015 and recorded an impairment charge of \$677,943 net of Quebec Mining Tax Credits, against the full carrying value of the Mousseau property. During the period ended March 31, 2016 833,333 commons shares issued under this Mousseau Agreement during the year ended June 30, 2015 were returned to treasury for a recorded value of \$2,083.

STANDARD GRAPHITE CORPORATION

(An Exploration Stage Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015
(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

Graphite Properties, Quebec, Canada (cont'd)

Other

On November 30, 2011, the Company signed an option agreement to acquire a 100% interest in nine graphite properties located in Quebec, Canada, by making the following payments and issuing the following common shares to the Vendors:

- (i) \$25,000 upon signing the Definitive Agreement (paid);
- (ii) \$25,000 (paid) and 500,000 common shares (issued) on receipt of the Exchange acceptance of the Definitive Option Agreement (received December 23, 2011);
- (iii) 500,000 common shares by June 23, 2012 (issued);
- (iv) 500,000 common shares by December 23, 2012 (issued);
- (v) 500,000 common shares by June 23, 2013 (issued);
- (vi) 500,000 common shares by December 23, 2013 (issued);
- (vii) 500,000 common shares by June 23, 2014 (issued);
- (viii) 500,000 common shares by December 23, 2014 (issued); and
- (ix) 1,000,000 common shares by December 23, 2015 (issued).

A finders' fee of \$5,000 was paid with respect to the transaction pursuant to the policies of the Exchange. In addition, finders' fees issued to a third party included:

- (i) 50,000 common shares valued at \$16,000;
- (ii) 50,000 common shares valued at \$7,500;
- (iii) 41,600 common shares valued at \$4,160;
- (iv) 37,500 common shares valued at \$3,563;
- (v) 37,500 common shares valued at \$2,250;
- (vi) 37,500 common shares valued at \$750; and
- (vii) 70,395 common shares valued at \$1,056.

The Vendors will retain a 2% NSR on the properties of which 1% can be purchased for CDN \$1,000,000. The agreement was accepted by Exchange on December 23, 2011.

During the year ended June 30, 2014, the Company completed an assessment on the nine properties and determined that six of the properties no longer warranted further exploration and as such the carrying amount exceeded the recoverable value. As a result the Company wrote down the carrying value to its estimated fair value of \$257,851 (net of Quebec Mining tax recoveries) determined by expenditures incurred on the remaining three properties.

The Company has fulfilled its payment obligations under the Definitive Agreement to acquire its 100% interest in the remaining three properties referred to as Sandy Lake, Sandy Lake NE and Carheil Lake properties.

9. TRADE AND OTHER PAYABLES

| | March 31 2016 | June 30 2015 |
|------------------------|------------------|-----------------|
| Trade payables | \$135,024 | 17,710 |
| Due to related parties | 360,599 | 209,504 |
| Total | \$495,623 | \$227,214 |

STANDARD GRAPHITE CORPORATION*(An Exploration Stage Company)*

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)
 FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015
 (Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES**a) Common Shares**

The Company's authorized share capital is an unlimited number of common shares with no par value.

The following is a summary of changes in common share capital from July 1, 2014 to March 31, 2016:

| | Number | Issue Price | Total |
|--|-------------------|-------------|--------------------|
| Balance at June 30, 2014 | 42,520,391 | | \$5,799,473 |
| Issued for evaluation and exploration assets | 83,333 | \$0.02 | 1,667 |
| Issued for evaluation and exploration assets | 1,000,000 | \$0.03 | 25,000 |
| Issued for evaluation and exploration assets | 83,333 | \$0.03 | 2,083 |
| Issued for evaluation and exploration assets | 500,000 | \$0.02 | 10,000 |
| Issued for finders' fee for acquisition of exploration and evaluation assets | 37,500 | \$0.02 | 750 |
| Share issue costs | - | - | (2,610) |
| Balance at June 30, 2015 | 44,224,557 | | \$5,836,363 |
| Issued for evaluation and exploration assets | 1,000,000 | \$0.015 | 15,000 |
| Issued for finders' fee for acquisition of exploration and evaluation assets | 70,395 | \$0.015 | 1,056 |
| Return to treasury | (83,333) | \$0.03 | (2,083) |
| Share issue costs | - | - | (1,007) |
| Balance December 31, 2015 | 45,211,619 | - | \$5,849,329 |

Issued July 1, 2015 to March 31, 2016:

On July 7, 2015, the Company issued 1,000,000 common shares pursuant to the November 30, 2011 Agreement, as described in Note 8. The common shares were valued at \$15,000 as determined by the market price when issued being \$0.015 per share. Finders' fees of 70,395 common shares were issued and valued at \$1,056 as determined by the market price when issued being \$0.015 per share in connection with the November 30, 2011 agreement, as described in Note 8.

Issued July 1, 2014 to June 30, 2015:

On November 4, 2014, the Company issued 83,333 common shares pursuant to the Mousseau Agreement, as described in Note 8. The common shares were valued at \$1,667 as determined by the market price when issued being \$0.02 per share.

On November 21, 2014, the Company issued 83,333 common shares pursuant to the Mousseau Agreement, as described in Note 8. The common shares were valued at \$2,083 as determined by the market price when issued being \$0.025 per share. During the period ended March 31, 2016 the shares were cancelled and returned to treasury pursuant to the termination of the Mousseau Agreement, as described in Note 8.

On November 21, 2014, the Company issued 1,000,000 common shares pursuant to the Cartier Agreement, as described in Note 8. The common shares were valued at \$25,000 as determined by the market price when issued being \$0.025 per share.

On December 3, 2014, the Company issued 500,000 common shares pursuant to the November 30, 2011 Agreement, as described in Note 8. The common shares were valued at \$10,000 as determined by the market price when issued being \$0.02 per share. Finders' fees of 37,500 common shares were issued and valued at \$750 as determined by the market price when issued being \$0.02 per share in connection with the November 30, 2011 agreement, as described in Note 8.

STANDARD GRAPHITE CORPORATION*(An Exploration Stage Company)*

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)
 FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015
 (Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)**b) Nature and Purpose of Equity and Reserves**

The reserves recorded in equity on the Company's statement of financial position include contributed surplus, accumulated other comprehensive income and accumulated deficit.

Contributed surplus is used to recognize the value of stock option grants and share purchase warrants prior to exercise.

Accumulated other comprehensive income includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

Accumulated deficit is used to record the Company's change in deficit from income/losses from year to year.

c) Warrants

As at March 31, 2016 and June 30, 2015 there were no outstanding share purchase warrants.

11. SHARE-BASED PAYMENTS**a) Option Plan Details**

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date. All options vest when granted unless otherwise specified by the Board of Directors.

The following is a summary of changes in options from July 1, 2015 to March 31, 2016:

| Grant Date | Expiry Date | Exercise Price | Opening Balance | Granted | Exercised | Cancelled | Closing Balance | Vested and Exercisable |
|---|-------------|----------------|-----------------|---------|-----------|-----------|-----------------|------------------------|
| 12/21/11 | 12/21/16 | \$0.26 | 395,000 | - | - | - | 395,000 | 395,000 |
| 8/02/12 | 8/02/17 | \$0.46 | 200,000 | - | - | - | 200,000 | 200,000 |
| 10/02/12 | 10/02/17 | \$0.49 | 390,000 | - | - | - | 390,000 | 390,000 |
| 4/26/12 | 4/26/17 | \$0.44 | 50,000 | - | - | - | 50,000 | 50,000 |
| 12/20/12 | 12/20/17 | \$0.15 | 445,000 | - | - | - | 445,000 | 445,000 |
| 7/02/13 | 7/02/18 | \$0.18 | 475,000 | - | - | - | 475,000 | 475,000 |
| 8/02/13 | 8/02/18 | \$0.18 | 475,000 | - | - | - | 475,000 | 475,000 |
| 3/15/13 | 3/15/18 | \$0.15 | 175,000 | - | - | - | 175,000 | 175,000 |
| 1/15/14 | 1/15/19 | \$0.06 | 250,000 | - | - | - | 250,000 | 250,000 |
| | | | 2,855,000 | - | - | - | 2,855,000 | 2,855,000 |
| Weighted Average Exercise Price | | | \$0.24 | - | - | - | \$0.24 | \$0.24 |
| Weighted Average Life Remaining (years) | | | 3.57 | - | - | - | 1.82 | 1.82 |

STANDARD GRAPHITE CORPORATION*(An Exploration Stage Company)*

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

11. SHARE BASED PAYMENTS (cont'd)**a) Option Plan Details (cont'd)**

The following is a summary of changes in options from July 1, 2014 to June 30, 2015:

| Grant Date | Expiry Date | Exercise Price | Opening Balance | Granted | Exercised | Cancelled | Closing Balance | Vested and Exercisable |
|---|-------------|----------------|-----------------|---------|-----------|-----------|-----------------|------------------------|
| 12/21/11 | 12/21/16 | \$0.26 | 395,000 | - | - | - | 395,000 | 395,000 |
| 8/02/12 | 8/02/17 | \$0.46 | 200,000 | - | - | - | 200,000 | 200,000 |
| 10/02/12 | 10/02/17 | \$0.49 | 390,000 | - | - | - | 390,000 | 390,000 |
| 4/26/12 | 4/26/17 | \$0.44 | 50,000 | - | - | - | 50,000 | 50,000 |
| 12/20/12 | 12/20/17 | \$0.15 | 445,000 | - | - | - | 445,000 | 445,000 |
| 7/02/13 | 7/02/18 | \$0.18 | 475,000 | - | - | - | 475,000 | 475,000 |
| 8/02/13 | 8/02/18 | \$0.18 | 475,000 | - | - | - | 475,000 | 475,000 |
| 3/15/13 | 3/15/18 | \$0.15 | 175,000 | - | - | - | 175,000 | 175,000 |
| 1/15/14 | 1/15/19 | \$0.06 | 250,000 | - | - | - | 250,000 | 250,000 |
| | | | 2,855,000 | - | - | - | 2,855,000 | 2,855,000 |
| Weighted Average Exercise Price | | | \$0.24 | - | - | - | \$0.24 | \$0.24 |
| Weighted Average Life Remaining (years) | | | 3.57 | - | - | - | 2.57 | 2.57 |

b) Fair Value of Options Issued During the Period

There were no options granted during the periods ended March 31, 2016 and March 31, 2015.

12. ADMINISTRATIVE AND GENERAL EXPENSES

| | Note | Three Months Ended | | Nine Months Ended | |
|---|------|--------------------|-----------|-------------------|------------|
| | | March 31 | | March 31 | |
| | | 2016 | 2015 | 2016 | 2015 |
| Administrative and General Expenses include: | | | | | |
| Accounting and legal | | \$ 80 | \$ - | \$ 80 | \$ 322 |
| Consulting | 13 | 31,938 | 33,625 | 100,838 | 106,108 |
| Investor relations, website development and marketing | | 280 | 280 | 830 | 975 |
| Office and administration fees | | 1,716 | 1,494 | 2,346 | 18,852 |
| Regulatory fees | | 6,900 | 5,580 | 11,392 | 10,697 |
| Rent | | 16,000 | 18,000 | 46,000 | 54,000 |
| Shareholder communications | | - | 147 | 1,971 | 4,372 |
| Transfer agent fees | | 1,149 | 1,179 | 4,319 | 3,257 |
| Travel | | - | - | - | 449 |
| | | \$ 58,063 | \$ 60,305 | \$ 167,776 | \$ 199,032 |

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13. RELATED PARTY TRANSACTIONS**a) Key Management Compensation**

| | March 31 2016 | March 31 2015 |
|---|--------------------------|------------------|
| Key management personnel compensation comprised : | | |
| Consulting fees: | \$177,338 | \$106,108 |

- i) Consulting fees of \$90,000 (2015 - \$90,000) were paid to 0954041 BC Ltd. ("0954041"), a company controlled by Chris Bogart, President and Chief Executive Officer.
- ii) Consulting fees of \$10,838 (2015 - \$16,107) were paid to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, Chief Financial Officer and Secretary.
- iii) Property investigation costs of \$76,500 (2015 - \$76,500) were paid to Etoby Management Limited ("EtoBy"), a company controlled by Craig Schneider, an individual with significant influence over the Company. In addition, rental fees of \$46,000 (2015 - \$54,000) were charged by Etoby.

b) Related Party Liabilities

| Amounts due to: | Service for: | March 31 2016 | June 30 2015 |
|-----------------|------------------------------|--------------------------|-------------------|
| Minco | Consulting Fees | \$ 19,349 | \$ 10,004 |
| 0954041 | Consulting Fees | 147,000 | 84,000 |
| Etoby | Property investigation costs | 150,450 | 71,400 |
| Etoby | Rent | 85,300 | 44,100 |
| | | \$ 402,099 | \$ 209,504 |

c) Related Party Receivables

As at March 31, 2016, \$12,979 (June 30, 2015 - \$12,979) was due from Corex Gold Corporation ("Corex") which has a common officer, Terese Gieselman of the Company for expenses incurred on behalf of Corex for shared office space and administrative personnel expenses from prior year period in 2014 which remains outstanding. These advances are non-interest-bearing and due on demand.

As at March 31, 2016, \$23,185 (June 30, 2015 - \$Nil) was due from InMed Pharmaceuticals Inc. ("InMed") which has common officers Terese Gieselman and Chris Bogart of the Company for expenses incurred on behalf of InMed for shared office space and general expenses. These advances are non-interest-bearing and due on demand.

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14. INCOME TAXES

As at March 31, 2016, the Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Canadian non-capital losses expires as follows:

| Year of Expiry | Taxable Losses | |
|----------------|----------------|------------------|
| 2027 | \$ | 39,000 |
| 2028 | | 62,000 |
| 2029 | | 235,000 |
| 2030 | | 173,000 |
| 2031 | | 412,000 |
| 2032 | | 1,066,000 |
| 2033 | | 763,000 |
| 2034 | | 610,000 |
| 2035 | | 407,000 |
| Total | \$ | 3,767,000 |

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended June 30, 2015 for further details.

15. LOSS PER SHARE

| | March 31 2016 | March 31 2015 |
|--|------------------|------------------|
| Loss attributable to ordinary shareholders | (\$257,874) | (\$280,067) |
| Weighted average number of common shares | 52,254,768 | 43,313,891 |
| Basic and diluted loss per share | (\$0.00) | (\$0.01) |

16. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Canada. The Company's non-current assets as at March 31, 2016 and June 30, 2015 are all in Canada.

17. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended March 31, 2016, pursuant to mineral property agreements, the Company issued 1,070,395 (December 31, 2014 – 1,704,166) common shares valued at \$16,056 (March 31, 2015 - \$39,500) as determined by their market prices when issued (See Note 10).

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18. EVENTS AFTER THE REPORTING DATE

On March 2, 2016 the Company entered into an option agreement for the acquisition of 8 lithium properties in Quebec, Canada from 2 private individuals collectively the "Property".

Consideration for the option includes a \$2500 cash payment (paid) and the issuance of 6,000,000 common shares (issued) of the Company to seller for the acquisition of a 100% interest in the claims. The seller will retain a 2% NSR on the claims of which 1% can be bought back for \$1M at any time following the acquisition.