

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

**Six Months Ended**

**December 31, 2016**

**STANDARD GRAPHITE CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Six Months Ended December 31, 2016**

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The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Standard Graphite Corporation (the "Company") as at as at December 31, 2016 and for the comparative period ended December 31, 2015. This MD&A should be read in conjunction with the un-audited condensed interim financial statements for periods ended December 31, 2016 and December 31, 2015 and related notes.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is February 24, 2017.

Throughout the report we refer to Standard Graphite Corp. as the "Company", "we", "us", "our" or "its". All these terms are used in respect of Standard Graphite Corp. Additional information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.standardgraphite.com](http://www.standardgraphite.com).

***Cautionary Statement on Forward-Looking Information***

This report contains "forward-looking statements", including, the Company's expectations as to but not limited to, comments regarding the timing and content of upcoming work programs and exploration budgets, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A include the following: our approved budgets, exploration and assay results, interpretation of results from exploration work programs completed to date and the Company's planned exploration expenditure programs, estimated drilling success rates and other prospects. Due to the nature of the mineral resource industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Company. Accordingly, while the Company anticipates that it will have the ability to spend the funds available to it, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Standard Graphite assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, economic and political events affecting metal supply and demand, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, and other risks. Actual results may differ materially from those currently anticipated in such statements.

The forward-looking information in this MD&A is based on management's current expectations and Standard Graphite assumes no obligations to update such information to reflect later events or developments, except as required by law.

***Overall Performance and Results of Operations***

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, B.C. V6C 1T2.

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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 the Diego, the recent acquisition of 8 lithium claims in Quebec and the Philibert Property.

**Exploration and Evaluation Assets**

Philibert Gold Project

On July 25, 2016 the Company entered into a mineral property option agreement with Soquem Inc. ("SOQUEM") pursuant to which the Company has been granted an option (the "Option") to earn 50% interest in Philibert Gold Project (the "Philibert Property"), comprised of 110 mineral claims covering 5,393 hectares located in Quebec.

Pursuant to the terms of the Option, the Company may acquire a 50% interest in the Philibert Property by issuing 3,500,000 common shares (500,000 issued) over six years and incurring exploration costs of \$3,500,000 (\$300,000 in the first year) over a five-year period. Additionally, within twelve months of the formation of a joint venture, the Company will have the option, but not the obligation, to purchase all or part of the remaining interest held by SOQUEM on terms to be agreed between the parties. The Company received Exchange approval on August 19, 2016 and issued effective August 30, 2016 the initial 500,000 common shares. Finders' fees of an aggregate \$48,375 (\$32,625 in the first year) are payable to an arm's length party over five years.

Lithium Property

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 \$2,500 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.

Standard plans on exploring for lithium in Quebec's vast territory where the only hard rock lithium production was ever carried out in North America.

Standard's properties are located within the 2 major lithium districts of Quebec; the Abitibi and James Bay regions. The Property covers a total area of approximately 1150 hectares over highly prospective geology. Historical data\* make mention of grades of up to 0.8% LiO<sub>2</sub> which compares favorably with the cut-off grades used for the feasibility at the 2 most advanced projects in Quebec. *A qualified person has not done sufficient work to date to confirm these historical results and there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.* **\*\*This report may also contain information about adjacent properties on which Standard has no right to explore or develop. Investors are cautioned that mineral deposits on adjacent properties are not indicative of any mineral deposits on the Company's properties.**

Diego Property

The Diego Property comprises 38 claims and is located 40 kilometres southwest of the town of Chapais, in the Province of Quebec.

Once funds are available, the Company anticipates initiating phase one of its exploration work program to include:

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Exploration Work Program Details	Budget
Initial sampling, property visit, compilation & target generation	\$ 15,000
2000m diamond drill program (all inclusive with report)	\$125,000
43-101 report	\$15,000
Contingency (on drilling alone)	\$22,500
Total Proposed Initial Budget	\$177,500

During the six months ended December 31, 2016 the Company carried out minimal exploration work as a result of a working capital deficiency. The Company issued shares in connection with the Philibert Project as described above:

	Quebec, Canada			Total
	Philibert Project	Lithium Projects	Diego Project	
Balance as at June 30, 2016	\$-	\$360,000	\$19,375	\$379,375
Acquisition:				-
Cash payments	-	2,500	-	2,500
Shares issued	30,000	-	-	30,000
Acquisition costs during the year	30,000	2,500	-	32,500
Exploration:				
Fieldwork & supplies	3,570	-	-	3,570
Mapping, misc	2,210	-	-	2,210
Site costs, travel	578	-	-	578
Exploration costs during the year	6,358	-	-	6,358
<b>Balance as at December 31, 2016</b>	<b>\$36,358</b>	<b>\$362,500</b>	<b>\$19,375</b>	<b>\$418,233</b>

In connection with the exploration work programs carried out to date, the Company had capitalized the following exploration and developments costs as at June 30, 2016

	Diego Project Quebec	Other	Lithium Projects Quebec	Total
Balance as at June 30, 2015	\$25,000	\$256,795		\$281,795
Acquisition:				
Shares issued	—	16,056	360,000	376,056
Staking/cash in lieu fees	—	4,475	—	4,475
Acquisition costs during the year		20,531	360,000	380,531
Tax credits	—	(29,612)	—	(29,612)
Impairments	(5,625)	(247,714)	—	(253,339)
<b>Balance as at June 30, 2016</b>	<b>\$19,375</b>	<b>\$—</b>	<b>\$360,000</b>	<b>\$379,375</b>

**Outlook**

For the foreseeable future the Company's primary focus will be to secure the required working capital to advance exploration on its Philibert gold project, the lithium property acquisitions, and its Diego gold property.

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**Results of Operations**

**Financial Results for the three month period ended December 31, 2016 and December 31, 2015**

The Company is an exploration stage company and experiences a moderate to high degree of variability in its quarterly results due to general and administrative costs not related to the direct activities of exploration and development. The costs may include marketing and development, corporate head office expenditures, management fees, and expenses related to operating a public company and compliance thereof such as legal, filing, audit and regulatory fees. The Company also expenses any pre-exploration expenditures that may relate to engaging consultants to review acquisition opportunities and costs related to the approvals and processes of entering into such agreements. In addition to general and administrative expenses the Company will also incur non-cash expenses in relation to share-based payments under the Company's Stock Option Plan. The Company currently does not anticipate any funding from any future farm-in agreements or sale of projects as at the date of this report.

During the three months ended December 31, 2016, the Company reported a net income of \$11,325 and income per share of \$0.00 compared to a net loss of \$78,958 and loss per share of \$0.00 for the period ended December 31, 2015.

During the three months ended December 31, 2016, the Company recorded a fair value loss on available-for-sale investment of \$267 (2015 – \$Nil) for a total comprehensive income of \$11,058 compared to a total comprehensive loss of \$78,958 for the period ended December 31, 2015.

The net income for the period ended December 31, 2016 primarily consisted of a gain on reduction of rent and consulting fees recorded in the prior period (see detailed description herein below) (2015 - \$56,325 general and administrative costs).

Additionally, the Company incurred a gain on general exploration costs of \$2,464 from refund in prior year assay expenditures (2015 - \$25,500 pre-exploration expense) in connection with the ongoing review and focus on additional exploration and development acquisition opportunities.

During the six months ended December 31, 2016, the Company reported a net comprehensive loss of \$76,412 and loss per share of \$0.00 compared to a net loss of \$176,404 and loss per share of \$0.00 for the comparative period ended December 31, 2015.

The net loss for the period ended December 31, 2016 primarily consisted of the administrative and general expenses (see detailed description herein below) of \$73,657 (2015 - \$109,713).

Additionally, the Company incurred net property investigation costs of \$2,536 (2015 - \$66,536) in connection with the ongoing review and focus on additional exploration and development acquisition opportunities

The summary of variances in expenditures included:

	2016	2015	Variance	
	\$	\$	\$	%
Consulting	46,275	68,900	(22,625)	-33%
Investor relations, website development and marketing	3,848	550	3,298	600%
Office and administration fees	3,406	630	2,776	441%
Regulatory fees	4,996	4,492	504	0%
Rent	12,500	30,000	(17,500)	-58%
Shareholder communications	147	1,971	(1,824)	0%
Transfer agent fees	2,485	3,170	(685)	-22%
	<b>73,657</b>	<b>109,713</b>	<b>(36,056)</b>	<b>-33%</b>

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Significant variances to note were:

Adjustments were recorded in consulting fees and rent amounts accrued by Eto by Management Limited (\$7,000 fees - \$13,500 Rent) and to the monthly fees for the President and CEO to 0954041 BC Ltd (\$10,000) to prior amounts expensed in the first quarter. Additionally wherein consulting fees for the President and CEO and corporate development ceased effective September 1, 2016. There were no changes to Minco Corporate Management Inc. fees of \$75 per hour for (See Related Party Transactions) from the prior year and no management contracts were entered into during the period ended December 31, 2016.

Rent was reduced from \$6,000 per month from the comparative period to \$4,500 per month on July 1, 2016 and then to \$4,000 effective November 2016 during the current period. No rent was paid or accrued in the current period for August and September.

**Summary of Quarterly Results**

The following table summarizes certain selected financial information reported by the Company for each of the last eight quarters reported. The following quarterly results are prepared in accordance with IFRS.

	<b>Dec. 31, 2016</b> <b>(\$)</b>	<b>Sept. 30 2016</b> <b>(\$)</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b> <b>(\$)</b>
<b>Operations</b>				
Revenue	—	—	—	—
Net Loss	11,058	(87,404)	(374,552)	(81,600)
Net Loss per Share	0.00	(0.00)	(0.01)	(0.00)
	<b>Dec. 31, 2015</b> <b>(\$)</b>	<b>Sept. 30, 2015</b> <b>(\$)</b>	<b>June 30, 2015</b> <b>(\$)</b>	<b>March 31, 2015</b> <b>(\$)</b>
<b>Operations</b>				
Revenue	—	—	—	—
Net Loss	(78,958)	(97,446)	(769,994)	(87,129)
Net Loss per Share	(0.00)	(0.00)	(0.02)	(0.00)

The Company earned no revenue during the periods presented other than interest income due to the nature of the industry and its current operations.

Significant variances to note include:

Other than the adjustment as described herein to consulting fees and rent amounts there were no significant variances for the remaining quarters reported hereinabove.

**Financial Condition, Liquidity and Capital Resources**

Key change to the Company's financial condition was the decrease of the working capital deficiency to \$237,942, primarily as a result of the shares for debt settlement described herein resulting in a decrease in the trade payables to 284,686 (June 30, 2016 - \$568,011).

	<b>December 31</b> <b>2016</b>	June 30 2016
<b>Financial position:</b>		
Cash and cash equivalents	\$22,332	7,775
Working capital	(237,942)	(498,724)
Property, plant and equipment	\$170	437
Exploration and evaluation assets	\$418,233	379,375
Total Assets	\$465,148	449,101
Shareholders' equity (deficiency)	180,461	(118,910)

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Minimal exploration expenditures were incurred as the Company continues to focus its efforts to obtain further funding and provide further working capital.

On August 30, 2016, the Company issued a total of 4,975,356 common shares at a price of \$0.07 per common share to extinguish debt in the aggregate amount of \$348,275 owed to related and non-related parties.

On February 7, 2017 the Company completed a non-brokered private placement for 10,000,000 common shares at a price of \$0.05 per share (the "Financing"), for gross proceeds of \$500,000. The shares issued pursuant to the Financing are subject to a resale restriction expiring on June 8, 2017. The proceeds from this private placement will be used for general working capital purposes and a portion will be used to settle debt.

The Company has not generated revenues from its operations to date. There are currently no work commitment requirements under its option agreement on the Diego property, and work commitments of \$3,500,000 (\$300,000 in the first year) over a five-year period in connection with the recent option of the Philibert Property. The Company will require additional funding to complete the exploration work on the Philibert Property and to further develop the Diego Property as well as fund its current general corporate overhead for the next 12 months.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company has financed its operations to date primarily through the issuance of common shares and share purchase warrants as units. The Company will continue to have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

***Related Party Transactions***

**a) Key Management Compensation**

	December 31 2016	December 31 2015
Key management personnel compensation comprised :		
Consulting fees:	\$ 46,275	\$ 119,900

- i) Consulting fees of \$20,000 (2015 - \$60,000) were paid to 0954041 BC Ltd. ("0954041"), a company controlled by Chris Bogart, President and Chief Executive Officer.
- ii) Consulting fees of \$7,775 (2015 - \$12,647) were paid to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, Chief Financial Officer and Secretary.
- iii) Consulting fees of \$18,500 (2015 - \$51,000) were paid to Etoby Management Limited ("Etooby") and/or Craig Schneider ("Schneider") a company controlled by Schneider, an individual with significant influence over the Company. In addition, rental fees of \$12,500 (2015 - \$30,000) were charged by Etoby and/or Schneider.

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**b) Related Party Liabilities**

The following amounts owing to related parties are included in trade and other payables:

Amounts due to:	Service for:		<b>December 31</b>	June 30
			<b>2016</b>	2016
Minco	Consulting Fees	\$	<b>10,329</b>	\$ 23,037
0954041	Consulting Fees		<b>193,500</b>	210,000
Schneider/Etoby	Consulting Fees		<b>10,500</b>	178,500
Schneider/Etoby	Rent		<b>8,400</b>	77,181
Stella <sup>1</sup>	Legal Fees		<b>3,024</b>	3,024
		<b>\$</b>	<b>225,753</b>	<b>\$ 491,742</b>

1 Legal fees owing to Stella Law Corporation a company controlled by Stephen Tong a director of the Company.

**Trade Payables**

As at December 31, 2016 advances in the amount of \$17,000 (June 30, 2016 - \$Nil) were due to Schneider and \$31,500 (June 30, 2016 - \$Nil) was due to Bogart and were included in trade payables. These advances are non-interest-bearing and due on demand.

**Shares for Debt**

On August 30, 2016 the Company settled an aggregate \$306,831 in trade payables through the issuance of an aggregate 4,383,296 common shares at an issue price of \$0.07 with related parties as follows:

Debtor	Debt Amount	Share Price	No. Shares
0954041 BC Ltd.	\$37,500	\$0.07	535,714
Schneider	\$269,331	\$0.07	3,847,582
<b>Total</b>	<b>\$306,831</b>		<b>4,383,296</b>

**c) Related Party Receivables**

As at December 31, 2016, \$8,253 (June 30, 2016 - \$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 December 31, 2016, \$276 (June 30, 2016 - \$23,767) was due from InMed Pharmaceuticals Inc. ("InMed"), which has common officer 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.

**Critical Accounting Estimates**

The details of the Company's full accounting policies are presented in Note 3 of the audited financial statements for the year ended June 30, 2016. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

### ***Changes in Accounting Policies including Initial Adoption***

#### **Standards, Amendments and Interpretations Not Yet Effective**

The Company reasonably expects the standard below to be applicable to the Company at a future date. The Company is currently assessing the impact of the standard on the financial statements.

#### ***IFRS 9 Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- ***Classification and measurement of financial assets:***  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- ***Classification and measurement of financial liabilities:***  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- ***Impairment of financial assets:***  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- ***Hedge accounting:***  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).
- ***Derecognition:***  
The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

This standard is applicable to the Company's annual periods beginning on July 1, 2018.

#### ***Financial Instruments and Risk Management***

- Market risk
- Credit risk
- Liquidity risk

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The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

**General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets out are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of interest rate, commodity price risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in GICs or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and GICs are subject to floating interest rates.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in securities

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The effect of commodity price risk to the Company's financial instruments is immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and short-term investments and related party

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receivable. Cash and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of the related party receivable represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company's trade and other payables are all due within 90 days after the period ended December 31, 2016. The Company does not have sufficient cash on hand to meet requirements.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statements of financial position carrying amounts for cash, related party receivable and trade and other payables approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash, short-term investments and available-for-sale investments are measured as Level 1 financial instruments.

### ***Capital Management***

The Company considers its cash and share capital as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended December 31, 2016.

### ***Off balance-sheet arrangements***

The Company has no off balance-sheet arrangements.

### ***Risks and uncertainties***

#### Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company continues to seek opportunities to acquire exploration and/or development projects. The main operating risks include: securing adequate funding to acquire, maintain and advance future exploration or advanced staged properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

As a mineral exploration company, Standard Graphite's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These include metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in provided high-risk equity capital to exploration companies, and the availability of qualified staff and equipment such as drilling rigs to conduct exploration.

The Company does not have any employees. All work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

#### Uncertainties

The Company has not yet achieved profitable operations. The Company's 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 \$76,346 for the period ended December 31, 2016 (December 31, 2015 - \$176,404) and has accumulated a deficit of \$7,506,075 (June 30, 2016 - \$7,429,663) since inception. The Company had a working capital deficit of \$237,942 as at December 31, 2016 (June 30, 2016 - \$498,723), 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. 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.

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***Outstanding Share Data***

The Company's authorized capital is unlimited common shares without par value. As at the date of this report, 66,686,975 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

<b>Type of Security</b>	<b>Number</b>	<b>Exercise price</b>	<b>Expiry Date</b>
Stock Options	445,000	\$0.15	December 20, 2017
Stock Options	150,000	\$0.18	February 7, 2018
Stock Options	475,000	\$0.18	February 8, 2018
Stock Options	125,000	\$0.15	March 15, 2018

As at the date of this report hereof there were no shares held in escrow.

***Other Requirements***

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).