



**Unaudited condensed Interim Financial Statements of**

**Financial Statements of**

**STANDARD GRAPHITE CORP.**

**(An Exploration Stage Company)**

**September 30, 2013**

**STANDARD GRAPHITE CORP.**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
September 30, 2013

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## **NOTICE TO READER**

**The accompanying unaudited condensed interim financial statements of Standard Graphite Corp. for the three months ended September 30, 2013 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 STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
As at September 30, 2013 and June 30, 2013  
Expressed in Canadian Dollars

	Note	September 30 2013	June 30 2013
<b>ASSETS</b>			
Current			
Cash and cash equivalents	4	\$ 93,650	\$ 263,963
Short-term investments	4	28,750	28,750
Taxes recoverable	5	8,652	121,338
Prepaid expenses and advances		36,607	36,476
Available-for-sale investment	6	6,000	2,000
Related party receivable	13	25,834	—
		<b>199,493</b>	<b>452,527</b>
Non-Current			
Property, plant and equipment	7	7,134	8,057
Exploration and evaluation assets	8	1,779,615	1,618,082
		<b>\$ 1,986,242</b>	<b>\$ 2,078,666</b>
<b>LIABILITIES</b>			
Current			
Trade and other payables	9	53,723	68,483
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	10	5,352,140	5,274,647
Contributed surplus	10	1,070,530	1,070,530
Accumulated other comprehensive loss		4,000	—
Deficit		(4,494,151)	(4,334,994)
		<b>1,932,519</b>	<b>2,010,183</b>
		<b>\$ 1,986,242</b>	<b>\$ 2,078,666</b>

Approved on behalf of the Board of Directors by:

"Michael Philpot"  
Michael Philpot

Director

"Christopher Bogart"  
Christopher Bogart

Director

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

**STANDARD GRAPHITE CORP.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS (UNAUDITED)**

For the three months ended September 30, 2013 and September 30, 2012

Expressed in Canadian Dollars

	Note	September 30 2013	September 30 2012
<b>Expenses</b>			
Administrative and general	12,13	\$ 135,303	\$ 226,205
Amortization	7	923	923
Exploration		25,500	47,063
Foreign exchange		—	369
<b>Total expenses</b>		<b>161,726</b>	<b>274,559</b>
<b>Loss before other items</b>		<b>(161,726)</b>	<b>(274,559)</b>
<b>Other items</b>			
Interest income		2,569	109
<b>Net loss for the period</b>		<b>(159,157)</b>	<b>(274,451)</b>
Fair value loss on available-for-sale investment	6	4,000	—
<b>Total comprehensive loss for the period</b>	<b>14</b>	<b>(155,157)</b>	<b>(274,451)</b>
<b>Loss per share for the period</b>	<b>14</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

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

**STANDARD GRAPHITE CORP.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the three months ended September 30, 2013 and September 30, 2012

Expressed in Canadian Dollars

		<b>Common Shares</b>	<b>Contributed Surplus</b>	<b>Accumulated Comprehensive Other Income</b>	<b>Accumulated Deficit</b>	<b>Total</b>
<b>Balance June 30, 2012</b>	<b>Note</b>	<b>\$ 4,279,966</b>	<b>\$ 744,774</b>	<b>\$ (18,000)</b>	<b>\$ (2,777,243)</b>	<b>\$ 2,229,497</b>
Share based payment for exploration and evaluation assets	8,10	77,000	—	—	—	77,000
Shares issued for cash	10	787,500	—	—	—	787,500
Share issue costs	10	(133,975)	—	—	—	(133,975)
Available-for-sale-investment	6	—	—	(4,000)	—	(4,000)
Agents options issued	10	—	44,990	—	—	44,990
Loss for the period	14	—	—	—	(274,451)	(274,451)
<b>Balance September 30, 2012</b>		<b>\$ 5,010,491</b>	<b>\$ 789,764</b>	<b>\$ (22,000)</b>	<b>\$ (3,051,694)</b>	<b>\$ 2,726,561</b>
<b>Balance June 30, 2013</b>		<b>\$ 5,274,647</b>	<b>\$ 1,070,530</b>	<b>\$ 0</b>	<b>\$ (4,334,994)</b>	<b>\$ 2,010,183</b>
Share based payments for exploration and evaluation assets	8,10	77,493	—	—	—	77,493
Available-for-sale investment	6	—	—	4,000	—	4,000
Loss for the period	14	—	—	—	(159,157)	(159,157)
<b>Balance September 30, 2013</b>		<b>\$ 5,352,140</b>	<b>\$ 1,070,530</b>	<b>\$ 4,000</b>	<b>\$ (4,494,151)</b>	<b>\$ 1,932,519</b>

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

**STANDARD GRAPHITE CORP.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

For the three months ended September 30, 2013 and September 30, 2012

Expressed in Canadian Dollars

	Note	September 30 2013	September 30 2012
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (159,157)	\$ (274,451)
Adjustment to reconcile loss to net cash used in operating activities:			
Depreciation	7	923	923
Changes in non-cash working capital			
Related party receivable	13	(25,834)	141,178
Tax receivables	5	112,686	7,923
Trade and other payables	9	(14,759)	135,113
Prepaid expenses and advances		(132)	(19,299)
<b>Net cash used in operating activities</b>		<b>(86,274)</b>	<b>(8,613)</b>
<b>Cash Flows From Investing Activities</b>			
Investment in exploration and evaluation assets	8	(84,039)	(374,543)
<b>Net cash outflows from investing activities</b>		<b>(84,039)</b>	<b>(374,543)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from share issuances	10	—	787,500
Share issue costs	10	—	(55,225)
<b>Net cash provided by financing activities</b>		<b>—</b>	<b>732,275</b>
<b>Decrease in cash during the period</b>		<b>(170,313)</b>	<b>349,119</b>
<b>Cash and cash equivalents beginning of period</b>		<b>263,963</b>	<b>785,935</b>
<b>Cash and cash equivalents end of period</b>		<b>\$ 93,650</b>	<b>\$ 1,135,054</b>

Non cash transactions – Note 16

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

**STANDARD GRAPHITE CORP.**  
(An Exploration Stage Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013**  
(Expressed in Canadian Dollars)

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**1. CORPORATION INFORMATION**

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 ("Standard" or "the Company"). 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.

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 several graphite mineral properties located in Ontario and Quebec.

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements for the three month period ended September 30, 2013 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 2013 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 ("IFRIC").

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2013 and income tax expense which is expected for the full financial year. Note 2 b) sets out the impact of new standards, interpretations and amendments that have had a material effect on the financial statements.

The condensed interim financial statements were authorized for issue by the Board of Directors on November 26, 2013.

The preparation of condensed interim financial statements in compliance with IAS 34 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 3.

The financial statements are presented in Canadian Dollars ("CDN"), which is also the Company's functional currency.



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

a) **Going Concern of Operations**

The Company has not yet achieved profitable operations. These 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 \$159,157 for the three months ended September 30, 2013 and has accumulated a deficit of \$4,494,151 since inception. These conditions indicate the existence of material uncertainty which casts 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 condensed interim 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.

b) **New Standards, Amendments and Interpretations Effective for the first time from July 1, 2013**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after July 1, 2013.

The following new standards, amendments and interpretations, that have been adopted in these interim financial statements, have had an effect on the Company's future results and financial position:

- **IFRS 13 Fair Value Measurement**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

The adoption of IFRS 13 by the Company had no material impact. The fair value of the available-for-sale investments has been determined directly by reference to published price quotations in an active market. Prior to adoption of IFRS 13 the Company measured the available-for-sale investment on the same basis.

In addition, the following new or amended standards and interpretations that are mandatory for 2014 annual periods have not had a material impact on the Company:

- **IFRS 11 Joint Arrangements**
- **IFRS 12 Disclosures of Interests in Other Entities**
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

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

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

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2013 or later periods. They have not been early adopted in these interim financial statements, and they are expected to affect the Company in the period of initial adoption. In all cases the Company intends to apply these standards from application dated as indicated below:

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

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMATES**

There have been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2013 annual financial statements.

## **4. CASH AND SHORT-TERM INVESTMENTS**

Cash and cash equivalents 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 September 30, 2013, the Company held two guaranteed investment certificates ("GIC") with market values of \$17,250 and \$11,500, earning interest at approximately 2.05% per annum and maturing on January 16, 2014 and July 26, 2014 respectively. These GIC's 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 an investing activity on the Company's statement of financial position.

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**5. TAX RECOVERABLE**

	<b>September 30</b>		<b>June 30</b>	
	<b>2013</b>		<b>2013</b>	
Sales taxes receivable	\$	8,652	\$	8,101
Quebec Mining tax credits receivable		—		113,237
	<b>\$</b>	<b>8,652</b>	<b>\$</b>	<b>8,101</b>

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 tax credits receivable represent a refund claim applied for on exploration expenditures incurred in Quebec pursuant to the *Quebec Mining Duties Act*.

**6. AVAILABLE-FOR-SALE INVESTMENT**

Available-for-sale investment consists of an investment in 400,000 common shares of Terra Firma Corporation which has no fixed maturity date or coupon rate. The fair value of the available-for-sale investment has been determined by reference to published price quotations in an active market, a Level 1 valuation.

**7. EQUIPMENT**

	<b>Furniture &amp; Fixtures</b>		<b>Total</b>	
<b>Cost</b>				
Balance at June 30, 2012	\$	18,311	\$	18,311
Assets acquired		—		—
Balance at June 30, 2013	\$	18,311	\$	18,311
Assets acquired		—		—
<b>Balance September 30, 2013</b>	<b>\$</b>	<b>18,311</b>	<b>\$</b>	<b>18,311</b>
<b>Depreciation and impairment losses</b>				
Balance at June 30, 2012	\$	6,592	\$	6,592
Depreciation for the period		3,662		3,662
Balance at June 30, 2013	\$	10,254	\$	10,254
Depreciation for the period		923		923
<b>Balance September 30, 2013</b>	<b>\$</b>	<b>11,177</b>	<b>\$</b>	<b>11,177</b>
<b>Carrying amounts</b>				
Carrying value at June 30, 2013	\$	8,057	\$	8,057
<b>Carrying value at September 30, 2013</b>	<b>\$</b>	<b>7,134</b>	<b>\$</b>	<b>7,134</b>

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**8. EXPLORATION AND EVALUATION ASSETS**

		Graphite Projects Quebec		Graphite Projects Ontario		Total
<b>Costs</b>						
Balance at June 30, 2012	\$	750,814	\$	490,136	\$	1,240,950
Acquisition costs		283,003		82,500		365,503
Exploration costs		415,907		7,059		422,966
Balance at June 30, 2013	\$	1,449,724	\$	579,695	\$	2,029,419
Acquisition costs		98,333		54,159		152,492
Exploration costs, net recovery of tax credits		9,040		—		9,040
<b>Balance at September 30, 2013</b>	<b>\$</b>	<b>1,557,097</b>	<b>\$</b>	<b>633,855</b>	<b>\$</b>	<b>2,190,952</b>
<b>Accumulated depletion and impairment losses</b>						
Balance at June 30, 2012	\$	—	\$	\$	\$	
Impairment of exploration and evaluation assets		—		(411,336)		(411,336)
Balance at June 30, 2013	\$	—	\$	(411,336)	\$	(411,336)
Impairment of exploration and evaluation assets		—		—		
<b>Balance at September 30, 2013</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>(411,336)</b>	<b>\$</b>	<b>(411,336)</b>
<b>Carrying amounts</b>						
Carrying value at June 30, 2013	\$	750,814	\$	490,136	\$	1,618,083
<b>Carrying value at September 30, 2013</b>	<b>\$</b>	<b>1,557,097</b>	<b>\$</b>	<b>222,519</b>	<b>\$</b>	<b>1,779,615</b>

***Graphite Properties, Quebec Canada***

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); and
- (v) 500,000 common shares by June 23, 2013 (issued)
- (vi) 500,000 common shares by December 23, 2013;
- (vii) 500,000 common shares by June 23, 2014;
- (viii) 500,000 common shares by December 23, 2014 and
- (ix) 1,000,000 common shares by December 23, 2015.

The Vendors will retain a 2% Net Smelter Royalty ("NSR") on the properties of which 1% can be purchased for CDN \$1,000,000. The agreement was accepted by TSX Venture Exchange on December 23, 2011. A finder's fee of \$5,000 was paid with respect to the transaction pursuant to the policies of the Exchange. In addition finders' fees of 50,000 common shares valued at \$16,000 and 50,000 common shares valued at \$11,000 were issued to a third party.

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(Expressed in Canadian Dollars)

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd)**

*Graphite Properties, Quebec Canada (cont'd)*

On March 30, 2012, the Company entered into an option agreement to acquire a 100% interest in 31 mining claims in Quebec. Consideration requires the following payments and issue of common shares to the Vendor: (i) \$5,000 (paid) and 50,000 common shares (issued) on receipt of the Exchange acceptance (received on April 20, 2012) of the Definitive Option Agreement; (ii) 100,000 common shares (issued) by August 20, 2012, and; (iii) 100,000 common shares (issued) by October 20, 2012 (issued). Finders' fees in the amount of 15,000 common shares valued at \$7,050 were also issued.

On April 23, 2012, the Company entered into a Definitive Agreement for the acquisition of the Mousseau East Deposit ("Mousseau Agreement") located some 40 kilometers northeast of the town of Mont-Laurier in northwestern Québec. The Mousseau Agreement was accepted by the TSX Venture Exchange on July 20, 2012.

Under the terms of the amended agreement, the Company can 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, then, for the purpose of such calculation, VWAP shall be deemed to be \$0.30 per share. These payments are to be made prior to the Second Anniversary to the Vendor as follows:

- (i) \$25,000 in cash on signing Definitive Agreement (paid)
- (ii) \$50,000 in cash (paid) and \$100,000 in common shares within 48 hours of Exchange approval (issued)
- (iii) an additional \$100,000 in cash (amended see herein below), \$100,000 (completed) in expenditures and \$100,000 in common shares (issued) on or before July 20, 2013
- (iv) an additional \$200,000 in cash and \$200,000 in common shares on or before July 20, 2014

On July, 17, 2013 the Company and vendor amended the Mousseau Agreement, (the "Mousseau Amending Agreement") revising the \$100,000 cash payment due on July 20, 2013 noted hereinabove to:

- (i) \$25,000 cash payment due on or before July 31, 2013 (paid);
- (ii) \$25,000 cash payment due on or before August 31, 2013 (paid);
- (iii) \$25,000 cash payment due on or before September 30, 2013 (paid); and
- (iv) \$25,000 cash payment due on or before October 30, 2013 (paid).

The Vendor will retain a 1% Net Smelter Royalty ("NSR") on the property that can be repurchased by the Company for CDN \$500,000. Certain bonus' for achieving certain milestones were not completed and no longer remain obligations under the Mousseau Agreement.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd)**

*Graphite Properties, Ontario Canada*

On November 17, 2011, the Company signed a Definitive Agreement to acquire a 100% interest in three graphite properties in Ontario, Canada, which included the Black Donald, Little Bryan and Beidelmann-Lyall Properties, with Zimtu Capital Corp., and two individuals (collectively the "Vendors"). Consideration included making the following payments and issuing the following common shares to the Vendors: (i) \$25,000 (paid) and 700,000 common shares (issued) on receipt of the Exchange acceptance of the Definitive Option Agreement (received December 9, 2011); (ii) 300,000 common shares on June 9, 2012 (issued); (iii) 500,000 common shares before December 9, 2012 (issued); and (iv) 500,000 common shares before December 9, 2013. The Vendors will retain a 2% Net Smelter Royalty ("NSR") on the properties which can be purchased for \$1,000,000. Finder's fees of cash \$2,500 and up to 191,600 in common shares will be payable with respect to the transaction pursuant to the policies of the Exchange.

The mineral claims under the Definitive Agreement lapsed during July 2013 and August 2013 resulting in an impairment write-off of exploration and evaluation assets of \$392,836 as at June 30, 2013.

The Company has applied to reinstate a certain portion of the lapsed claims, which were subject to the terms of the Agreement entered into on November 17 2011. On September 16, 2013 the Company and the Vendors entered into a settlement agreement ("Settlement Agreement") to acquire a 100% interest in the remaining mineral tenures, whereby the Company is required to issue 500,000 common shares to the vendors on or before December 9, 2013 as full and complete fulfilment of the Company's obligations under the Agreement. On September 18, 2013 the Company issued the 500,000 common shares at an issue price of \$0.10. In addition, the Company issued 41,600 common shares at an issue price of \$0.10 as part of the finder's fees as described hereinabove. Additionally, to date the Company issued 70,000 common shares at an issue price of \$0.27 for \$18,900, 30,000 shares at an issue price of \$0.22 for \$6,600 and 50,000 common shares at an issue price of \$0.15 for \$7,500.

On March 20, 2012, the Company entered into an agreement to acquire additional claims forming part of the Black Donald property. Consideration for the acquisition includes aggregate cash payments of \$80,000 and an aggregate issue of 100,000 common shares over three years, as follows: (i) \$5,000 (paid) and 15,000 common shares upon execution of this Agreement (issued); (ii) \$10,000 and 20,000 shares by April 5, 2013; (iii) \$15,000 and 25,000 shares by April 5, 2014; and (iv) \$50,000 and 50,000 shares by April 5, 2015. Management elected not to proceed under the terms of the agreement as such all acquisition and exploration expenditures of \$18,500 were written off as at June 30, 2013.

On April 20, 2012, the Company signed a Mineral Property Option Agreement (the "Option Agreement") with Terra Firma Resources Inc. ("Terra Firma") pursuant to which Terra Firma has been granted an option (the "Option") to earn a 100% interest in the Beidelmann-Lyall Graphite Property located in Ontario.

Pursuant to the terms of the Option Agreement, Terra Firma was granted the right to acquire a 100%-interest in the Property by making the following cash payments on or before the dates indicated below:

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd)**

*Graphite Properties, Ontario Canada (cont'd)*

	Cash	Shares
On signing	\$10,000 (received)	—
On May 7, 2012	\$25,000(received)	400,000(received)
Before November 7, 2012	—	350,000
Before May 7, 2013	—	250,000
Before May 7, 2014	—	250,000

Effective December 13, 2012 the Company terminated the Option Agreement for non-payment.

**9. TRADE AND OTHER PAYABLES**

	September 30 2013	June 30 2013
Trade payables	\$ 51,156	\$ 63,625
Due to related parties	2,567	4,858
<b>Total</b>	<b>\$ 53,723</b>	<b>\$ 68,483</b>

**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, 2012 to September 30, 2013.

	Number	Issue Price	Total
Balance at June 30, 2012	25,149,625	\$—	\$ 4,279,966
Issued for evaluation and exploration assets	333,333	\$0.18	58,333
Issued for evaluation and exploration assets	100,000	\$0.17	17,000
Issued for evaluation and exploration assets	1,000,000	\$0.15	150,000
Issued for finders' fee for acquisition of exploration and evaluation assets	100,000	\$0.15	15,000
Issued for evaluation and exploration assets	100,000	\$0.18	18,000
Issued for evaluation and exploration assets	500,000	\$0.10	50,000
Issued for finders' fee for acquisition of exploration and evaluation assets	37,500	\$0.10	3,750
Issued for private placement	5,250,000	\$0.15	787,500
Share issue costs			(104,902)
Balance at June 30, 2013	32,570,458	\$—	\$ 5,274,647
Issued for evaluation and exploration assets	333,333	\$0.07	23,333
Issued for evaluation and exploration assets	541,600	\$0.10	54,160
<b>Balance at September 30, 2013</b>	<b>33,445,391</b>	<b>\$—</b>	<b>5,352,140</b>

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**10. SHARE CAPITAL AND RESERVES (cont'd)**

**a) Common Shares (cont'd)**

Issued January July 1, 2012 – June 30, 2013

On July 23, 2012 the Company issued 333,333 common pursuant to the agreement dated April 23, 2012, as described under Note 8, Graphite Properties, Quebec Canada. The common shares were valued at \$58,333 as determined by the market price when issued being \$0.175 per common share.

On August 15, 2012 the Company completed a non-brokered private placement for 5,250,000 units (the "Units") at a price of \$0.15 per Unit for aggregate proceeds of CDN \$787,500 (the "Financing"). Each Unit consisted of one common share and one share purchase warrant (the "Warrant"). Each Warrant entitles the holder to subscribe for one common share at a price of \$0.25 for a period of twenty four (24) months following the closing of the Financing.

Finders' fees of 7% cash (\$55,250) of the gross proceeds received by the Company from the sale of Units sold pursuant to the Financing were paid. In addition, the Company granted 525,000 compensation options entitling the holder to purchase that 525,000 Units for a recorded cost of \$44,990, exercisable in whole or in part at the price of \$0.15 for a period of 24 months from the closing of the Financing.

On August 17, 2012, the Company issued 100,000 common shares pursuant to the March 30, 2012 option agreement described in Note 8 Graphite Properties, Quebec with respect to the option to acquire a 100% interest in 31 claims located in Quebec. The common shares were valued at \$17,000 as determined by the market price when issued being \$0.17 per common share.

October 23, 2012, the Company issued 100,000 common shares pursuant to the March 30, 2012 option agreement described in Note 8 Graphite Properties, Quebec with respect to the option to acquire a 100% interest in 31 claims located in Quebec. The common shares were valued at \$18,000 as determined by the market price when issued being \$0.18 per common share.

On November 27, 2012 the Company issued 500,000 common shares pursuant to the November 30, 2011 agreement described in Note 8 Graphite Properties, Quebec to acquire nine graphite properties located in Quebec. The common shares were valued at \$75,000 as determined by the market price when issued being \$0.15 per common share. Finders' fees of 50,000 common shares were issued and valued at \$7,500 as determined by the market price when issued being \$0.15 per common share in connection with the November 30, 2011 agreement described in Note 8.

On November 27, 2012 the Company issued 500,000 common shares pursuant to the November 17, 2011 agreement described in Note 8 Graphite Properties, Ontario to acquire three graphite properties located in Ontario. The common shares were valued at \$75,000 as determined by the market price when issued being \$0.15 per common share. Finders' fees of 50,000 common shares were issued and valued at \$7,500 as determined by the market price when issued being \$0.15 per common share in connection with the November 17, 2011 agreement described in Note 8.



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**10. SHARE CAPITAL AND RESERVES (cont'd)**

**a) Common Shares (cont'd)**

Issued January July 1, 2012 – June 30, 2013 (cont'd)

On June 11, 2013 the Company issued 500,000 common shares pursuant to the November 30, 2011 agreement described in Note 8 Graphite Properties, Quebec to acquire nine graphite properties located in Quebec. The common shares were valued at \$50,000 as determined by the market price when issued being \$0.10 per common share. Finders' fees of 37,500 common shares were issued and valued at \$3,750 as determined by the market price when issued being \$0.10 per common share in connection with the November 30, 2011 agreement described in Note 8.

Issued January July 1, 2013 – September 30, 2013

On July 15, 2013 the Company issued 333,333 common shares pursuant to the Mousseau Agreement as described under Note 8, Graphite Properties, Quebec Canada. The common shares were valued at \$23,333 as determined by the market price when issued being \$0.07 per common share.

On September 18, 2013 the Company issued 500,000 common shares pursuant to the Settlement Agreement described in Note 8 Graphite Properties, Ontario. The common shares were valued at \$50,000 as determined by the market price when issued being \$0.10 per common share. Finders' fees of 41,600 common shares were issued and valued at \$4,160 as determined by the market price when issued being \$0.10 per common share in connection with the November 17, 2011 agreement described in Note 8.

**b) Escrow Shares**

As at September 30, 2013, there were no common shares outstanding subject to an escrow agreement (June 30, 2013: Nil).

**c) 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 Loss/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 Loss/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/loss from year to year.

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**10. SHARE CAPITAL AND RESERVES (cont'd)**

**d) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from July 1, 2012 to September 30, 2013:

	Number	Weighted Average Price
Balance July 1, 2012	5,900,000	\$0.40
Issued	5,250,000	\$0.25
Balance June 30, 2013	11,150,000	\$0.33
Expired	(5,900,000)	\$0.40
Balance September 30, 2013	5,250,000	\$0.25

At September 30, 2013, 5,250,000 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Price Per Share	Expiry Date
5,250,000	\$0.25	August 15, 2014

**e) Agents Warrants**

The following is a summary of changes in Agents' Warrants from July 1, 2012 to September, 2013:

	Number	Weighted Average Price
Balance June 30, 2012 and June 30, 2013	386,750	\$0.40
Expired	(386,750)	\$0.40
Balance September 30, 2013	—	—

**f) Agents Options**

The following is a summary of changes in Agents' Options from July 1, 2012 to September 30, 2013:

	Number	Weighted Average Price
Balance at July 1, 2012	—	—
Issued	525,000	\$0.15
<b>Balance at June 30, 2013 and September 30, 2013</b>	<b>525,000</b>	<b>\$0.15</b>

At September 30, 2013, 525,000 Agents Options were outstanding. Each Option entitles the holders thereof the right to purchase one unit exercisable into one common share and one non-transferable common share purchase warrant, which have the same terms as the warrants as described in Note 10 hereinabove as follows:

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**10. SHARE CAPITAL AND RESERVES (cont'd)**

**f) Agents Options (cont'd)**

Number	Price Per Share	Expiry Date
525,000	\$0.15	August 15, 2014

The Agents options were valued at \$44,990 based on the Black-Scholes option pricing model using the stock price (\$0.18) at the date of grant, exercise price (\$0.15), the term of the warrant (2 years), expected price volatility of the underlying share (82.24%), the expected dividend yield of Nil and the risk free interest rate (1.31%) for the term of the option.

**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 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, 2013 to September 30, 2013:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
12/21/11	12/21/16	\$0.26	395,000	—	—	—	395,000	395,000	—
02/08/12	02/08/17	\$0.46	300,000	—	—	—	300,000	300,000	—
02/10/12	02/10/17	\$0.49	390,000	—	—	—	390,000	390,000	—
03/15/12	03/15/17	\$0.56	150,000	—	—	—	150,000	150,000	—
04/26/12	04/26/17	\$0.44	50,000	—	—	—	50,000	50,000	—
12/20/12	12/20/17	\$0.15	445,000	—	—	—	445,000	445,000	—
02/07/13	02/07/18	\$0.18	675,000	—	—	—	675,000	675,000	—
02/08/13	02/08/18	\$0.18	475,000	—	—	—	475,000	475,000	—
03/15/13	03/15/18	\$0.15	175,000	—	—	—	175,000	175,000	—
			3,055,000	—	—	—	3,055,000	3,055,000	—
Weighted Average Exercise Price			\$0.27	—	—	—	\$0.27	\$0.27	—
Weighted Average Life Remaining (years)			4.11	—	—	—	3.81	3.81	—

The following is a summary of changes in options from July 1, 2012 to June 30, 2013:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
12/12/07	12/12/12	\$0.10	635,750	—	—	(635,750)	—	—	—
12/21/11	12/21/16	\$0.26	395,000	—	—	—	395,000	395,000	—
02/08/12	02/08/17	\$0.46	425,000	—	—	(125,000)	300,000	300,000	—
02/10/12	02/10/17	\$0.49	450,000	—	—	(60,000)	390,000	390,000	—
03/15/12	03/15/17	\$0.56	150,000	—	—	—	150,000	150,000	—
04/26/12	04/26/17	\$0.44	350,000	—	—	(300,000)	50,000	50,000	—
12/20/12	12/20/17	\$0.15	—	445,000	—	—	445,000	445,000	—
02/07/13	02/07/18	\$0.18	—	675,000	—	—	675,000	675,000	—
02/08/13	02/08/18	\$0.18	—	550,000	—	(75,000)	475,000	475,000	—
03/15/13	03/15/18	\$0.15	—	175,000	—	—	175,000	175,000	—
			2,405,750	1,845,000	—	(1,195,750)	3,055,000	3,055,000	—
Weighted Average Exercise Price			\$0.10	\$0.17	—	\$0.12	\$0.27	\$0.27	—
Weighted Average Life Remaining (years)			3.53	4.65	—	3.96	4.11	4.11	—

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**11. SHARE BASED PAYMENTS (cont'd)**

**b) Fair Value of Options Issued During the Year**

During the three months ended September 30, 2013 and September 30, 2012 there were no options granted.

**i) Expenses Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions recognized during the period ended September 30, 2013 were \$Nil (September 30, 2012 - \$Nil).

**12. ADMINISTRATIVE AND GENERAL EXPENSES**

	<b>September 30</b>	<b>September 30</b>
	<b>2013</b>	<b>2013</b>
<b>Administrative and General Expenses include:</b>		
Accounting and legal	\$ 6,375	\$ 4,206
Consulting	46,509	63,734
Investor relations, website development and marketing	30,305	95,033
Office and administration fees	25,068	25,186
Regulatory fees	360	12,280
Rent	18,000	11,961
Shareholder communications	3,350	2,374
Transfer agent fees	1,538	3,886
Travel	3,798	7,545
	<b>\$ 135,303</b>	<b>\$ 226,205</b>

**13. RELATED PARTY TRANSACTIONS**

**a) Key Management Compensation**

	<b>September 30</b>	<b>September 30</b>
	<b>2013</b>	<b>2012</b>
Key management personnel compensation comprised :		
Consulting fees:	\$ 35,861	\$ 47,534

- i) Consulting fees of \$30,000 (September 30, 2012 - \$30,000) were paid to 0954041 BC Ltd, a company, controlled by Chris Bogart the President and Chief Executive Officer;
- ii) Consulting fees of \$5,861 (September 30, 2012 - \$17,534) were paid to Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselmann, Chief Financial Officer and Secretary of the Company.

**c) Related party liabilities**

<b>Amounts due to:</b>	<b>Service for:</b>	<b>September 30</b>	<b>June 30</b>
		<b>2013</b>	<b>2013</b>
<b>Minco</b>	<b>Consulting Fees</b>	<b>\$2,567</b>	<b>\$4,858</b>

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**13. RELATED PARTY TRANSACTIONS (cont'd)**

d) Related party receivables

As at September 30, 2013 - \$20,756 (June 30, 2013 - \$Nil) was due from Corex Gold Corporation ("Corex") a company which has a common officer, Terese Gieselman and common director Hamish Greig of the Company for expenses incurred on behalf of Corex for shared office space expenses and administrative personnel.

As at September 30, 2013 - \$5,078 (June 30, 2013 - \$Nil) was due from Meridex Software Corporation ("Meridex") a company which has a common officer, Terese Gieselman of the Company for expenses incurred on behalf of Meridex for shared office space expenses.

These loans are non-interest bearing and due on demand.

**14. LOSS PER YEAR**

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the year

	September 30 2013	September 30 2012
Loss attributable to ordinary shareholders	(\$159,157)	(\$274,451)
Weighted average number of common shares	32,849,443	14,924,570
Basic and diluted loss per share	(\$0.00)	(\$0.00)

**15. 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.

**16. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the period ended September 30, 2013, pursuant to mineral property agreements, the Company issued 874,933 (September 30, 2012 – 433,333) common shares valued at \$77,493 (September 30, 2012 - \$77,000) as determined by their market prices when issued. A compensation charge of \$Nil (September 30, 2012 - \$44,990) associated with the grant of Nil (September 30, 2012 – 525,000) Agent Options was recorded as share issue costs. Changes in accounts payable that relate to exploration and evaluation assets amount to \$16,388 (September 30, 2012 - \$117,402).