



**ELCORA ADVANCED MATERIALS CORP.**

**Consolidated Financial Statements**

For the years ended March 31, 2017 and 2016



June 5, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Elcora Advanced Materials Corp.**

We have audited the accompanying consolidated financial statements of **Elcora Advanced Materials Corp.** and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Elcora Advanced Materials Corp. and its subsidiaries as at March 31, 2017 and March 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to note 2 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Elcora Advanced Materials Corp.'s ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

#### **Chartered Professional Accountants, Licensed Public Accountants**

---

*PricewaterhouseCoopers LLP*  
Summit Place, 1601 Lower Water Street, Suite 400, Halifax, Nova Scotia, Canada B3J 3P6  
T: +1 902 491 7400, F: +1 902 422 1166, [www.pwc.com/ca](http://www.pwc.com/ca)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2017 AND MARCH 31, 2016  
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2017	March 31, 2016
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,351,808	134,242
Investment in marketable securities	43,357	15,235
Accounts receivable (note 9)	69,483	63,268
Prepaid expenses (note 10)	124,339	529,140
	<b>1,588,987</b>	741,885
<b>Non-current assets</b>		
Investment in Joint Venture (note 13)	8,208,025	7,573,137
Property and equipment (note 12)	266,098	165,266
<b>Total assets</b>	<b>10,063,110</b>	8,480,288
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	459,427	472,332
Current portion of loan payable (note 15)	14,975	-
	<b>474,402</b>	472,332
<b>Long-term liabilities</b>		
Loan payable (note 15)	195,854	-
<b>Total liabilities</b>	<b>670,256</b>	472,332
<b>Shareholders' equity</b>		
Share capital (note 17)	14,775,731	11,067,378
Contributed surplus and other (note 17)	3,455,096	3,374,849
Accumulated other comprehensive income	282,901	388,533
Deficit	(9,120,874)	(6,822,804)
<b>Total shareholders' equity</b>	<b>9,392,854</b>	8,007,956
<b>Total liabilities and shareholders' equity</b>	<b>10,063,110</b>	8,480,288

*-See Accompanying Notes-*

Going concern (note 2)  
Commitments (note 20)  
Subsequent event (note 21)

**Approved on behalf of the Board of Directors on June 1, 2017**

*"Troy Grant"*

Director

*"Denis Choquette"*

Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
EXPRESSED IN CANADIAN DOLLARS

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
<b>Expenses (Income)</b>		
Research & development, net of government grants & assistance <i>(note 4n)</i>	758,565	525,052
Professional fees	45,158	157,257
General and administrative expenses	134,770	87,211
Depreciation expense	55,242	-
Management and consulting fees	838,308	739,937
Transfer, filing and listing fees	60,298	72,722
Investor relations expense	42,809	63,133
Stock-based compensation <i>(note 17)</i>	68,154	837,157
Interest expense	510	53,305
Interest income	(1,254)	(796)
Accreted Interest <i>(note 15)</i>	23,146	-
Realized & unrealized (gain) loss on marketable securities	(28,122)	205,155
Write-down of E&E assets	-	(2,600)
Share of loss in investments using the equity method <i>(note 13)</i>	291,564	257,906
Realized & unrealized loss on foreign exchange	8,922	8,294
<b>Loss for the year</b>	<b>(2,298,070)</b>	<b>(3,003,733)</b>
<b>Other comprehensive loss</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>		
Annual translation adjustment	(105,632)	(531,317)
<b>Comprehensive loss for the year</b>	<b>(2,403,702)</b>	<b>(3,535,050)</b>
<b>Loss per share</b>		
Basic and diluted loss per share	(0.03)	(0.06)
Weighted average number of outstanding common shares – Basic and diluted	73,384,404	53,882,561

*-See Accompanying Notes-*

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
AS AT MARCH 31, 2017 AND MARCH 31, 2016  
EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital (\$)	Contributed Surplus and other (\$)	Accumulated other Comprehensive income (\$)	Deficit (\$)	Total shareholders' equity (\$)
<b>Balance - March 31, 2016</b>	<b>69,347,967</b>	<b>11,067,378</b>	<b>3,374,849</b>	<b>388,533</b>	<b>(6,822,804)</b>	<b>8,007,956</b>
Loss for the year	-	-	-	-	(2,298,070)	(2,298,070)
Annual translation adjustment	-	-	-	(105,632)	-	(105,632)
<b>Comprehensive loss</b>	-	-	-	<b>(105,632)</b>	<b>(2,298,070)</b>	<b>(2,403,702)</b>
Stock based compensation (note 17)	-	-	68,154	-	-	68,154
Shares issued for cash (note 17)	12,197,103	3,536,931	46,675	-	-	3,583,606
Share issuance costs (note 17)	-	(144,593)	-	-	-	(144,593)
Warrants exercised (note 17)	1,238,057	316,015	(34,582)	-	-	281,433
<b>Balance - March 31, 2017</b>	<b>82,783,127</b>	<b>14,775,731</b>	<b>3,455,096</b>	<b>282,901</b>	<b>(9,120,874)</b>	<b>9,392,854</b>
<b>Balance - March 31, 2015</b>	<b>42,553,633</b>	<b>7,173,780</b>	<b>2,514,921</b>	<b>919,850</b>	<b>(3,819,071)</b>	<b>6,789,480</b>
Loss for the year	-	-	-	-	(3,003,733)	(3,003,733)
Annual translation adjustment	-	-	-	(531,317)	-	(531,317)
<b>Comprehensive loss</b>	-	-	-	<b>(531,317)</b>	<b>(3,003,733)</b>	<b>(3,535,050)</b>
Stock based compensation (note 17)	-	-	837,157	-	-	837,157
Shares issued for cash (note 17)	20,906,001	2,926,840	-	-	-	2,926,840
Share issuance costs (note 17)	-	(63,053)	34,582	-	-	(28,471)
Options exercised for cash (note 17)	80,000	23,811	(11,811)	-	-	12,000
Warrants exercised (note 17)	5,808,333	1,006,000	-	-	-	1,006,000
<b>Balance - March 31, 2016</b>	<b>69,347,967</b>	<b>11,067,378</b>	<b>3,374,849</b>	<b>388,533</b>	<b>(6,822,804)</b>	<b>8,007,956</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2017 \$	March 31, 2016 \$
<b>Cash flows from operating activities</b>		
Net loss for the years	(2,298,070)	(3,003,733)
Adjustments for items not involving cash:		
Depreciation expense	55,242	-
Government assistance benefit	(52,709)	-
Stock-based compensation	68,154	837,157
Share of loss in investment in associate	291,564	257,906
Accreted interest	23,146	-
Realized & unrealized (gain) loss on marketable securities	(28,122)	205,155
Unrealized loss on foreign exchange	2,932	5,394
Recovery of exploration & evaluation assets	-	(2,600)
<b>Changes in non-cash working capital items:</b>		
Increase in accounts receivable	(6,215)	(56,360)
Decrease (increase) in prepaid expenses	404,801	(493,400)
(Decrease) increase in accounts payable and accrued liabilities	(57,188)	19,554
Net cash used for operating activities	(1,596,465)	(2,230,927)
<b>Investing activities</b>		
Investment in Joint Venture	(1,035,018)	(1,402,206)
Acquisition of equipment	(225,431)	(135,398)
	(1,260,449)	(1,537,604)
<b>Financing activities</b>		
Proceeds on issuance of common shares	3,539,323	2,926,840
Proceeds on exercise of options	-	12,000
Proceeds on exercise of warrants	281,435	1,006,000
Share issuance costs	(56,027)	(75,543)
Proceeds from long-term loan	309,749	-
	4,074,480	3,869,297
Net increase in cash	1,217,566	100,766
Cash, beginning of the years	134,242	33,476
<b>Cash end of the years</b>	<b>1,351,808</b>	<b>134,242</b>

Cash includes cash on hand with banks.

Supplemental disclosure with respect to cash flows - note 18

*-See Accompanying Notes-*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

## 1. Nature of business

**Elcora Advanced Materials Corp.** (the “Company” or “Elcora”) and its subsidiary were incorporated pursuant to the Canada Business Corporations Act on June 6, 2011 and its common shares are listed on the TSX Venture Exchange under the trading symbol ERA. The Company is also listed on the Frankfurt Stock exchange under the symbol ELM and on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group under the symbol ECORF. The Company’s head office is located at 111 Ahmadi Crescent, Bedford, Nova Scotia, B4A 4E5, Canada.

Elcora has been structured as a vertically integrated graphite & graphene company that mines, processes, refines graphite and produces both the graphene and end graphene applications. Elcora is advancing its vertical integration business model in graphite and graphene production. The core business is advanced material research and production.

## 2. Going concern

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business as they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that lend significant doubt upon the entity’s ability to continue as a going concern, as described in the following paragraph.

The Company is in the research and development (“R&D”) stage and is subject to the risks and challenges similar to other companies in a comparable stage of R&D. These risks include, but are not limited to, dependence on key individuals, successful research and development programs and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the year ended March 31, 2017, the Company incurred losses of \$2,298,070 (2016 - \$3,003,733) and as at March 31, 2017 had an accumulated deficit of \$9,120,874 (2016 - \$6,822,804). The Company has no income or cash flows from operations and at March 31, 2017 had a working capital of \$1,114,585 (2016 - \$269,553).

The ability of the Company to continue as a going concern is dependent upon raising additional financing through equity and non-dilutive funding and partnerships. There can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any products without future financings. These material uncertainties cast significant doubt as to the Company’s ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company is currently pursuing financing alternatives that may include equity, debt, and non-dilutive financing alternatives including co-development through potential collaborations, strategic partnerships or other transactions with third parties, and merger and acquisition opportunities. There can be no assurance that additional financing will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures or the Company may be unable to continue operations.

The Company’s ability to continue as a going concern is also dependent upon its ability to fund investments in the Sakura Joint Venture until the operation reaches a self-sustaining level of commercial production as well as its research and development programs and its ability to develop a unique low cost effective process to make graphene that is commercially scalable. To date, the Company has not earned any revenue.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and the consolidated statements of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

### **3. Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board as set out in the Chartered Professional Accountants of Canada Handbook – Accounting – Part I. The accounting policies were consistently applied to all years presented.

The consolidated financial statements were approved by the Board of Directors for issue on June 1, 2017.

#### **Basis of measurement**

These consolidated financial statements have been prepared on an accrual basis and under the historical-cost convention except for the revaluation of certain financial assets and financial liabilities to fair value.

#### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary company, Graphene Corp. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All inter-company transactions and balances have been eliminated in the consolidated financial statements.

### **4. Summary of significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

#### **a) Foreign currency translation**

Items included in the consolidated financial statements of each entity included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars. The functional currency of the investment in the joint arrangement with Sakura Graphite (PVT) Ltd is the Sri Lankan rupee. All other entities have a Canadian dollar functional currency. Assets and liabilities of each foreign entity are translated into Canadian dollars at the exchange rate in effect on the consolidated statements of financial position date. Revenue and expenses are translated at the average rate in effect during the year. Unrealized translation gains and losses are recorded as a cumulative translation adjustment, which is included in other comprehensive loss on the consolidated statements of loss and comprehensive loss, which is a component of accumulated other comprehensive income included in shareholders' equity.

Foreign currency transactions denominated in a currency other than an entity's functional currency are re-measured into the functional currency with any resulting gains and losses included in the consolidated statements of loss and comprehensive loss, except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature.

#### 4. Summary of significant accounting policies (continued)

##### b) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, is cancelled or expires.

- (i) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise accounts receivable and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- (ii) **Financial assets at fair value through profit or loss:** Financial assets at fair value through profit or loss are any financial assets that are designated on initial recognition to be measured at fair value with fair value changes in profit or loss. The Company's financial assets at fair value through profit or loss comprise marketable securities, which are initially measured at fair value and subsequently re-measured based on publicly quoted market prices in an active market at the end of each reporting period.
- (iii) **Other financial liabilities at amortized cost:** Other financial liabilities include accounts payable, accrued liabilities and loan payable. After their initial fair value measurement, they are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. The criteria used to determine if there is objective evidence of an impairment loss include:

- (i) Significant financial difficulty of the obligor;
- (ii) Delinquencies in interest or principal payments;
- (iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
- (iv) A significant or prolonged decline in the fair value of the asset below its cost.

If such evidence exists, the Company recognizes an impairment loss on financial assets carried at amortized cost as the difference between the carrying amount of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

#### **4. Summary of significant accounting policies (continued)**

##### **c) Exploration and evaluation assets**

Exploration and evaluation expenditures include costs such as acquisition of rights to explore, geological, geochemical, and geophysical studies, exploratory drilling, trenching, sample testing and the costs of pre-feasibility studies. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option. These costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of a project is considered to be determinable when the costs are expected to be recovered in full through the successful development and exploration of the identified property. All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Exploration and evaluation assets are not depreciated. These amounts are reclassified from exploration and evaluation assets to development costs, once the work completed to date supports the future development of the property and such development receives the appropriate approval. All subsequent expenditures to ready the property for production are capitalized within development costs, other than those costs related to the construction of property and equipment. Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as general exploration and due diligence expense in the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

##### **d) Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

#### 4. Summary of significant accounting policies (continued)

##### e. Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and impairment allowances. Depreciation is provided from the date assets are ready to be put into service at rates which will amortize the carrying cost less residual value of the property and equipment over their estimated useful lives on a straight-line basis. Estimated useful lives and residual values are reviewed at least annually. The estimated useful lives are as follows:

Lab equipment	5 years
Leasehold Improvements	Term of the lease

##### f. Share-based payments

The Company records stock-based compensation expense for stock options granted to directors, officers and consultants using the fair value method. Option terms and vesting conditions are at the discretion of the Board of Directors. The fair value of each installment of stock options granted is determined using the Black-Scholes option pricing model. In instances where stock options are committed to individuals before they are granted, the Company recognizes the expense based on estimated fair value. Upon granting of such options, the initial estimate is revised based on the fair value of stock options determined on the grant date. Stock-based compensation expense is calculated for each installment over the vesting period based on the number of stock options expected to vest. Stock-based compensation expense is recorded in the consolidated statements of loss and comprehensive loss with a corresponding increase to contributed surplus. Forfeiture estimates are based on historic information and reviewed at each reporting date, with any impact being recognized immediately in the consolidated statements of loss and comprehensive loss. When stock options are exercised the consideration received and the amount previously recognized in contributed surplus is recorded as an increase to share capital.

##### g. Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case income tax is also recognized directly in equity or other comprehensive income, respectively

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the consolidated statements of financial position and will apply when the deferred tax asset or liability is expected to be settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

##### h. Warrants

The Company makes certain estimates and assumptions when calculating the estimated fair value of warrants issued for financing purposes. When warrants are issued independently, their fair value is determined using the Black Scholes option pricing model. The significant assumptions used herein include the estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. The warrants issued as part of the private placement units are valued using the residual method. When warrants are exercised the consideration received and, if any, the amount previously recognized in contributed surplus is recorded as an increase to share capital.

#### **4. Summary of significant accounting policies (continued)**

##### **i. Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

##### **j. Loss per share**

The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares. All stock options and warrants are currently anti-dilutive. As a result, basic and diluted earnings per share are the same.

##### **k. Segmented information**

The Company's operations are comprised of two reportable segments; the development of graphite mineral properties through the joint venture in Sakura (PVT) Ltd and graphene related research and development activities through the Company's subsidiary Graphene Corp. See note 19.

##### **l. Joint arrangements**

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Company has assessed the nature of its joint arrangement in Sakura Graphite (PVT) Ltd and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses and movements in the consolidated statements of loss and comprehensive loss. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Company.

##### **m. Research and development**

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over their useful life. Development costs are written off when there is no longer an expectation of future benefits.

#### **4. Summary of significant accounting policies (continued)**

##### **n. Government grants and assistance**

Government grants and assistance are recognized where there is reasonable assurance that the grant or assistance will be received and all attached conditions will be complied with. When the grant or assistance relates to an expense item, it is recognized as income over the period necessary to match the grant or assistance on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenditures are incurred. During the year ended March 31, 2017, the Company recorded \$134,378 of non-repayable government grants as a reduction in related research and development expenses (2016 - \$Nil).

The Company also has an interest-free repayable funding obligation from the Government of Canada (ACOA). The benefit of the government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates as outlined in Note 6. During the year ended March 31, 2017 a portion of the government assistance benefit relating to the loan of \$52,709 was recorded as a reduction in related research and development expenses (2016 - \$Nil).

#### **5. Recent accounting pronouncements**

##### **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017, and have not been applied in preparing these consolidated financial statements. None of the new standards are expected to have a significant effect on the consolidated financial statements of the Company, except for the following:

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

IFRS 9, "Financial Instruments" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income ("OCI").

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets - fair value through OCI; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements

## 5. Recent accounting pronouncements (continued)

### IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statements of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's consolidated financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

## 6. Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates the Company has made in the preparation of these consolidated financial statements.

### *Estimate of recoverability for non-financial assets*

At the end of each reporting period, the Company assesses each of its mineral resource properties and its joint venture, of which the principal asset is a mineral resource property, to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of comparison to similar market assets and industry benchmarks. Actual results may differ materially from these estimates.

### *Government assistance*

Elcora received an interest-free repayable loan from ACOA, a government agency, in the amount of \$309,749. The benefit of the government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The fair value of the components, being the loan and the government grant, must be calculated initially in order to allocate the proceeds to the components. The valuation is complex, as there is no active trading market for these items and is based on unobservable inputs.

Based on management's analysis as at March 31, 2017, the fair value of the loan was \$187,683. The Company has estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15%. If a discount rate of 20% had been used, this would have resulted in the liability being \$26,972 lower upon the initial recognition date. If a discount rate of 10% had been used, this would have resulted in the liability being \$32,781 higher upon the initial recognition date.

## 7. Financial instruments and fair values

### Measurement categories

As explained in note 4 of the Company's consolidated financial statements for the year ended March 31, 2017, the financial assets and liabilities have been classified into categories that determine their basis of measurement. All loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term maturities. The Company uses the following hierarchy in attempting to maximize the use of observable inputs and minimize the use of unobservable inputs, primarily using market prices in active markets.

Level 1 – Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing on an ongoing basis. Investments in marketable securities are valued based on quoted market prices in active markets, being traded on the London Stock Exchange.

Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All investments in marketable securities are measured using level 1 inputs. The fair value of the loan payable has been valued at initial recognition using level 3 inputs; specifically the discount rate. For proceeding periods the loan will be measured at amortized cost.

#### (a) Market risk

##### *i) Foreign exchange risk*

The Company does not have significant monetary assets or liabilities denominated in foreign currencies and as such is not exposed to significant foreign exchange risk. The investment in the joint venture is measured in Sri Lankan rupees, which is the functional currency of the joint venture. Changes in the value of the Sri Lankan rupee computed to the Canadian dollar impact the carrying amount of the interest in the joint venture. An increase or decrease of 1% of the value of the Canadian dollar at March 31, 2017 would result in an increase of \$ 80,000 or decrease of \$85,000 (2016 - \$70,000 and \$75,000), respectively, to the value of the joint venture with an offsetting credit or charge to other comprehensive income.

##### *ii) Interest rate risk*

The Company's accounts payable and accrued liabilities and loan payable are non-interest bearing and have contractual maturities of 30 days or less, except as otherwise noted. As at March 31, 2017, the Company does not have cash equivalents.

##### *iii) Price risk*

The Company is exposed to price risk as it relates to its investment in marketable securities. At March 31, 2017, a 5% change in the quoted price of marketable securities would impact net loss by \$2,168 (2016 - \$762). The Company is not exposed to any other direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**7. Financial instruments and fair values (continued)**

(b) Credit risk

Credit risk is the risk that a customer or third party to a financial instrument fails to meet its commercial obligations.

The carrying amount of financial assets represents the maximum credit exposure. The Company manages credit risk by holding the majority of its cash and cash equivalents with AA rated banks in Canada, where management believes the risk of loss to be low.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at March 31, 2017, the Company had cash of \$1,351,808 (2016 - \$134,242) to settle current liabilities of \$474,402 (2016 - \$472,332). See note 2 for additional information on liquidity.

**8. Capital management**

The Company attempts to manage its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total shareholder's equity, which at March 31, 2017 totaled \$9,392,854 (2016 - \$8,007,956). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of business. The Company is not subject to externally imposed capital requirements.

**9. Accounts receivable**

	<b>March 31, 2017</b>	March 31, 2016
	<b>\$</b>	<b>\$</b>
Sales tax recoverable	<b>37,076</b>	63,268
Government grants receivable	<b>32,407</b>	-
	<b>69,483</b>	63,268

**10. Prepaid expenses**

	<b>March 31, 2017</b>	March 31, 2016
	<b>\$</b>	<b>\$</b>
Consultants	<b>105,988</b>	434,405
Lab equipment	-	58,474
Other	<b>18,351</b>	36,261
	<b>124,339</b>	529,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**11. Accounts payable and accrued liabilities**

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
Accounts payable	<b>103,028</b>	157,491
Accrued liabilities	<b>356,399</b>	314,841
	<b>459,427</b>	472,332

**12. Property and equipment**

	<b>Lab Equipment</b>	<b>Leasehold</b>	<b>Total</b>
	\$	Improvements	\$
	\$	\$	\$
<b>Year ended March 31, 2017</b>			
Opening net book value	165,266	-	<b>165,266</b>
Additions	115,635	40,439	<b>156,074</b>
Depreciation for the year	(46,817)	(8,425)	<b>(55,242)</b>
<b>Closing net book value</b>	<b>234,084</b>	<b>32,014</b>	<b>266,098</b>
<b>At March 31, 2017</b>			
Cost	280,901	40,439	<b>321,340</b>
Accumulated depreciation	(46,817)	(8,425)	<b>(55,242)</b>
<b>Closing net book value</b>	<b>234,084</b>	<b>32,014</b>	<b>266,098</b>
<b>Year ended March 31, 2016</b>			
Opening net book value	-	-	-
Additions	165,266	-	<b>165,266</b>
<b>Closing net book value</b>	<b>165,266</b>	<b>-</b>	<b>165,266</b>
<b>At March 31, 2016</b>			
Cost	165,266	-	<b>165,266</b>
Accumulated depreciation	-	-	-
<b>Closing net book value</b>	<b>165,266</b>	<b>-</b>	<b>165,266</b>

Additions to property and equipment are net of government assistance benefits related to the ACOA loan. The total amount of government assistance allocated to property and equipment totaled \$69,357 (2016 - \$Nil). The government assistance allocated to lab equipment and leaseholds improvements was \$51,324 and \$18,033 respectively (note 15).

### 13. Investment in Joint Venture

On June 30, 2014, Elcora completed the purchase of 40% of the issued and outstanding shares of Sakura Graphite (PVT) Ltd of Sri Lanka ("Sakura"). The remaining 60% of Sakura is owned by J.D.K. Wickramaratne, through his wholly owned company KWA Holdings (Private) Ltd. Pursuant to the Transaction, Elcora has issued a total 6,827,442 common shares of Elcora to shareholders of Sakura on the closing date of June 30, 2014. The closing price of Elcora shares on June 30, 2014 was \$0.40, for an implied value of \$2,730,977. Elcora also issued 6,827,442 warrants to the shareholders of Sakura to purchase common shares of Elcora (the "Warrants"). Each Warrant entitles the holder of such Warrant to purchase one common share of Elcora at a price of \$0.19 for a period of 5 years. Based on the Black-Scholes valuation model at June 30, 2014, a value of \$2,280,366 was attributed to the Warrants. The aggregate initial purchase price of the investment was \$5,077,592, including acquisition costs of \$66,253.

#### Sakura Joint Venture

Sakura operates the Sakura Graphite Mine located on Sakura's leased plots totaling 70 acres in Sri Lanka (the "Mine").

Elcora will earn 20% of the net income from the Mine as the Mine operator, and an additional 30% of the net income from the entire operation for managing the processing of the graphite, for the life of the Mine. In order to maintain its 40% interest in Sakura, Elcora will provide the capital expenditures required to put the Mine back into commercial production, not to exceed US\$12 million. As at March 31, 2017, US\$2.75 million has been funded and the Company expects that it will not be required to contribute the maximum amount of US\$12 million.

Based on the terms of the Joint Venture, management has determined there is joint control. Accordingly, the investment is accounted for using the equity method in these consolidated financial statements.

#### Investment in Joint Venture

	<b>March 31, 2017</b>	March 31, 2016
	<b>\$</b>	\$
Opening Balance	7,367,558	6,754,575
Investments in Sakura	1,035,018	1,402,206
Share of loss	(291,564)	(257,906)
Translation loss	(105,632)	(531,317)
	<u><b>8,005,380</b></u>	<u>7,367,558</u>
Advances receivable from Sakura	202,645	205,579
	<u><b>8,208,025</b></u>	<u>7,573,137</u>

Summarized financial information in respect of the Company's Sakura joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements, as adjusted for differences in accounting policies and fair value adjustments required related to the Company's investment in the joint venture (and not the Company's share of those amounts). Amounts below have been translated to Canadian dollars in accordance with the Company's accounting policy on foreign currency translation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

### 13. Investment in Joint Venture (continued)

#### Summary Statements of loss and Comprehensive loss

For the years ended	March 31, 2017	March 31, 2016
	\$	\$
Operating, general and administration expenses	687,848	607,552
Depreciation and amortization	41,062	37,212
Net loss and comprehensive loss	<u>728,910</u>	<u>644,764</u>

#### Summary Statements of Financial Position

As at	March 31, 2017	March 31, 2016
	\$	\$
Cash and receivables	61,928	256,226
<b>Current assets</b>	<u>61,928</u>	<u>256,226</u>
Non-current assets	20,278,052	18,393,221
	<u>20,339,980</u>	<u>18,649,447</u>
Accounts payable and other payables	123,886	24,973
<b>Current Liabilities</b>	<u>123,886</u>	<u>24,973</u>
Non-current liabilities	202,645	205,579
Shareholder's equity	20,013,449	18,418,895
	<u>20,339,980</u>	<u>18,649,447</u>

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

As at	March 31, 2017	March 31, 2016
	\$	\$
Net assets of the joint venture (JV)	20,013,449	18,418,895
Proportion of the Corporation's ownership interest in the JV	40%	40%
Carrying amount of the Corporation's interest in the JV	<u>8,005,380</u>	<u>7,367,558</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**14. Related party transactions**

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

- a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in the form of consulting fees to companies controlled by directors, executive officers and officers and share based compensation directly to directors, executive officers and officers as follows:

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
Consulting fees paid and/or accrued	<b>400,000</b>	380,000
Stock based compensation	-	586,449
	<b>400,000</b>	966,449

- b) On November 20, 2015 the Company closed a convertible Loan (note 17). A Director converted a \$30,000 loan into 214,286 shares of the Company. Interest of \$1,302 associated with the loan was paid to this Director. On November 30, 2015 the Company closed a private placement. Management and directors participated in the placement and as a result received 1,535,714 shares and equivalent number of share purchase warrants valid for one year from closing at an exercise price of \$0.30 (note 17).
- c) There were 1,830,000 options issued at \$0.21 and 2,212,500 options at \$0.10 during the year ended March 31, 2016 to Management and Directors.
- d) On February 23, 2017 the Company closed a private placement (note 17). Management and directors participated in the placement and as a result received 629,630 shares and an equivalent number of share purchase warrants valid two years from the closing date at an exercise price of \$0.27.
- e) On March 31, 2017, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were \$91,821 (2016 - \$25,984). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

**15. Loan payable**

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
ACOA interest-free loan with a maximum contribution of \$495,750, repayable in 60 equal monthly payments of \$5,100 commencing July 1, 2017 and final payment of \$3,750. As at March 31, 2017, the amount drawn down on the loan is 309,749	<b>210,829</b>	-
	<b>210,829</b>	-
Less : Current portion	<b>(14,975)</b>	-
	<b>195,854</b>	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**15. Loan payable (continued)**

The minimum annual principal repayments of long-term debt over the next five years are as follows:

Year ending	\$
March 31, 2018	<b>45,900</b>
March 31, 2019	<b>61,200</b>
March 31, 2020	<b>61,200</b>
March 31, 2021	<b>61,200</b>
March 31, 2022	<b>61,200</b>

	March 31, 2017 \$	March 31, 2016 \$
Balance – Beginning of the year	-	-
Borrowing, net of \$122,066 (2016 – \$Nil) allocated to government assistance	<b>187,683</b>	-
Accreted Interest – 15%	<b>23,146</b>	-
Balance – End of the year	<b>210,829</b>	-
Less: Current portion	<b>(14,975)</b>	-
<b>Non-current portion</b>	<b>195,854</b>	-

The contribution period ended November 31, 2016 and no additional draws are permitted on this loan.

**16. Income taxes**

**a) Losses**

The Company has capital losses of \$267,000 which are carried forward to reduce future taxable capital gains. The Company has non-capital tax losses, which include certain deductions for share issue costs of approximately \$5,734,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

Year ending	\$
March 31, 2032	<b>47,000</b>
March 31, 2033	<b>330,000</b>
March 31, 2034	<b>1,081,000</b>
March 31, 2035	<b>1,220,000</b>
March 31, 2036	<b>1,239,000</b>
March 31, 2037	<b>1,817,000</b>
	<b>5,734,000</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**16. Income taxes (continued)**

**b) Effective income tax rate**

At March 31, 2017 and 2016, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax net loss for the year. The reasons for the difference are as follows:

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
Loss before income taxes	2,298,070	3,003,733
Income tax recovery based on statutory rates	<b>712,402</b>	931,157
Non-deductible stock option expense	<b>(21,128)</b>	(259,519)
Unrealized (gains) and losses	<b>11,442</b>	(68,929)
Share of loss in joint venture	<b>(90,385)</b>	(79,951)
Write down of exploration & evaluation assets	-	806
Share issue cost	<b>26,160</b>	17,195
Meals and entertainment	-	(271)
CCA	<b>22,198</b>	7,685
CEC	-	410
Unrealized foreign exchange (gains) and losses	<b>(2,766)</b>	7,348
Unrecorded tax benefit of losses	<b>(657,923)</b>	(555,931)
<b>Recovery of income taxes</b>	<b>-</b>	<b>-</b>

**c) Deferred tax assets and liabilities**

The following reflects the deferred tax assets and liabilities at March 31, 2017 and March 31, 2016:

	<b>March 31, 2017</b>	March 31, 2016
	\$	\$
<b>Deferred tax assets</b>		
Non-capital losses	<b>1,777,000</b>	1,422,000
Capital losses	<b>41,000</b>	41,000
Deductible share issuance costs	<b>49,000</b>	30,000
Tax value in excess of accounting value of marketable securities	<b>130,000</b>	130,000
Tax value in excess of accounting value of exploration & evaluation assets	<b>48,000</b>	48,000
Tax value in excess of accounting value of Joint Venture	<b>116,000</b>	(7,000)
Portion of deferred tax assets unrecognized	<b>(2,161,000)</b>	(1,664,000)
<b>Deferred taxes</b>	<b>-</b>	<b>-</b>

## 17. Share capital and contributed surplus

### Authorized capital stock

Unlimited common shares without nominal or par value

### Issuance of shares and warrants

- During the year ended March 31, 2016, 4,910,000 warrants were exercised further to the July 19, 2013 Private Placement which comprised of the sale of 4,910,000 common shares of the Company at a price of \$0.05 per share and the issuance of 4,910,000 warrants of the Company, with each warrant entitling the holder to acquire one common share of the Company for 24 months at a price of \$0.15 per common share. Total proceeds from exercise were \$736,500.
- On November 10, 2015 the Company closed a non-brokered private placement financing. Elcora has issued 7,142,857 units at a price of \$0.14 per unit for aggregate gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common shares of Elcora at an exercise price of \$0.30 for one year following the closing of the private placement. The Company paid finders' fees of \$50,200 in cash and 332,700 in finders' warrants exercisable at \$0.14 per common share for one year in connection with the private placement.
- During the year ended March 31, 2016, 898,333 warrants were exercised further to the May 13, 2014 Private Placement which comprised of the sale of 8,976,875 common shares of the Company at a price of \$0.16 per share and the issuance of 8,976,875 warrants of the Company, with each warrant entitling the holder to acquire one common share of the Company for 18 month at a price of \$0.30 per common share. Total proceeds from exercise were \$269,500.
- On November 20, 2015 the Company closed a previously announced \$1,388,040 two-year syndicated limited recourse convertible loan agreement for the lesser amount of \$1,002,540 with eight lenders including one insider. The principal of the Loan is convertible into common shares of Elcora at \$0.14 cents per share and all of the eight lenders elected to convert their Loans on November 20, 2015. A total of 7,161,000 shares of Elcora were issued upon the loan conversion.
- On November 30, 2015 the Company closed a non-brokered private placement financing by issuing 6,602,144 units at a price of \$0.14 per unit for aggregate gross proceeds of \$924,300. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of Elcora at an exercise price of \$0.30 for one year following the closing of the private placement. The Company did not pay any finders' fees in connection with the November 30, 2015 Private Placement.
- On June 10, 2016 the Company closed a non-brokered private placement financing by issuing 2,208,750 units at a price of \$0.40 per unit for aggregate gross proceeds of \$883,500. The units issued by the Company include 1,104,375 share purchase warrants entitling the holder to purchase one common share of Elcora at an exercise price of \$0.52 for three years following the closing of the private placement. The Company paid finders' fees of \$13,100 in cash in connection with this private placement.
- Relating to the June 10, 2016 private placement on September 8, 2016 the Company issued an additional 25,000 shares and 12,500 warrants under the same terms and conditions for an additional cash consideration of \$10,000. The total number of shares and warrants issued as part of this placement is 2,233,750 and 1,116,875 respectively.

## 17. Share capital and contributed surplus (continued)

### Issuance of shares and warrants (continued)

- During the year ended March 31, 2017, 262,500 broker warrants were exercised further to the May 13, 2014 non-brokered Private Placement which was subscribed for at \$0.16 per unit with a full warrant attached entitling the holder to acquire one common share of Elcora for \$0.30 for 24 months following the closing of the private placement. Total proceeds from the exercise were \$42,000.
- During the year ended March 31, 2017, 500,000 warrants were exercised further to the November 10, 2015 non-brokered private placement financing. Elcora has issued 7,142,857 units at a price of \$0.14 per unit for aggregate gross proceeds of \$1,000,000. Each unit was comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common shares of Elcora at an exercise price of \$0.30 for one year following the closing of the private placement. Total proceeds from exercise were \$150,000.
- During the year ended March 31, 2017, 142,857 warrants were exercised at \$0.30 and 332,700 finders' warrants were exercised at \$0.14 further to the November 10, 2015 non-brokered private placement financing. Total proceeds from exercise were \$89,435.
- On February 23, 2017 the Company closed the second and final tranche of the non-brokered private placement financing announced on January 31, 2017. The Private Placement closed at a total of \$2,645,823 or 9,799,345 units. The first tranche closed on February 2, 2017 and involved the issuance of 9,326,095 units of the Company at a price of \$0.27 per unit for gross proceeds of \$2,518,045. The final tranche involved the issuance of 473,250 units of the Company at a price of \$0.27 per unit for gross proceeds of \$127,778. Each unit will be comprised of one common share and one common share purchase warrant. Each full warrant gives the holder the right to purchase one common share of Elcora at an exercise price of \$0.34 for two years following the closing of the Private Placement. The term of the warrants may be accelerated in the event that the issuer's shares trade at or above a price of \$0.60 cents per share for a period of 20 consecutive days. In such case of accelerated warrants, the issuer may give notice, in writing or by way of news release, to the subscribers that the warrants will expire 45 days from the date of providing such notice. The Company paid finders' fees of \$44,283 in cash and 164,010 in common shares valued at \$0.27 per share in connection with the private placement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**17. Share capital and contributed surplus (continued)**

**Warrants**

	Number of warrants #	Weighted average exercise price \$
<b>Opening Balance – April 1, 2015</b>	24,797,640	0.25
Expired during the year	(9,266,722)	0.30
Exercised during the year	(5,808,333)	0.17
Issued – Private placement	7,142,857	0.30
Issued – Private placement broker warrants	332,700	0.14
Issued – Private placement	6,602,144	0.30
<b>Closing Balance – March 31, 2016</b>	23,800,286	0.28
Issued – Private placement	1,116,875	0.52
Exercised during the year	(262,500)	0.16
Exercised during the year	(642,857)	0.30
Exercised during the year	(332,700)	0.14
Expired during the year	(13,102,144)	0.30
Issued – Private placement	9,326,095	0.34
Issued – Private placement	473,250	0.34
<b>Closing Balance – March 31, 2017</b>	20,376,305	0.31

Warrants outstanding as of March 31, 2017:

Expiry Date	Number of Warrants Outstanding and exercisable	Exercise Price (\$)
February 16, 2018	2,632,643	0.43
June 10, 2019	1,116,875	0.52
June 30, 2019	6,827,442	0.19
February 2, 2019	9,326,095	0.34
February 23, 2019	473,250	0.34
<b>Total</b>	<b>20,376,305</b>	

The finders' warrants issued as part of the November 10, 2015 private placement were valued using the Black-Scholes option pricing model at the date of grant. The Broker warrants were priced using a risk free interest rate of 0.54%, a stock price of \$0.19, 128% volatility and a term of one year. The fair value of the warrants was calculated to be \$34,582 and was included with share issuance costs and an offsetting credit to contributed surplus and other. These warrants were exercised on November 9, 2016.

## 17. Share capital and contributed surplus (continued)

### Stock options

The Board of Directors of the Company has adopted an incentive stock option plan (the "Option Plan"). Under the Option Plan, the Board of Directors of the Company may, from time to time, at its discretion, and in accordance with the exchange requirements and applicable securities legislation, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, exercisable for a period of up to 10 years from the date of grant. The number of common shares reserved for issuance under the Option Plan will not exceed 10% of the issued and outstanding common shares of the Company. The number of common shares reserved for issuance to any one individual Director or Officer may not exceed 5% of the issued and outstanding common shares and the aggregate number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options for the year ended March 31, 2017:

	Number of options #	Weighted average exercise price \$
Balance – April 1, 2015	1,125,000	0.12
Issued	5,700,000	0.15
Forfeited	(742,500)	0.10
Exercised	(80,000)	0.15
Balance – March 31, 2016	6,002,500	0.15
Forfeited	(300,000)	0.19
Balance – exercisable at end of March 31, 2017	5,702,500	0.15

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2017 is below:

Exercise prices	Outstanding options		Weighted average exercise price \$	Exercisable options	
	Number of options outstanding #	Weighted average remaining term (years)		Number of options exercisable #	Weighted average exercise price \$
\$0.01 - \$0.10	2,882,500	3.98	0.10	2,882,500	0.10
\$0.11 - \$0.20	320,000	2.90	0.16	320,000	0.16
\$0.21 - \$0.30	2,500,000	4.17	0.21	2,500,000	0.21
	5,702,500	4.00	0.15	5,702,500	0.15

## 17. Share capital and contributed surplus (continued)

### Stock options (continued)

The fair value of options granted or promised are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2017	March 31, 2016
Average dividend per share	-	-
Average share price	0.40	0.15
Average forecasted volatility	144%	154%
Average risk-free interest rate	0.60%	0.89%
Average expected life	4 years	5 years
Fair value - weighted average of options issued	0.34	\$0.15

During the year ended March 31, 2017, the Company committed 200,000 stock options which vested immediately to an employee through the execution of an employment contract. As of March 31, 2017 these options were not yet granted under the Company's stock option plan.

For the year ended March 31, 2017, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$68,154 (2016 - \$837,157).

## 18. Supplemental disclosure with respect to cash flows

### The significant non-cash investing and financing activities for the year ended March 31, 2017 included:

- a) Annual translation adjustment of (\$105,632) in revaluating the investment in joint venture at the end of the year.
- b) Finders' fee of \$44,283 were settled through issuance of 164,010 shares as part of the private placement on February 2, 2017.
- c) \$44,283 of finders' fees relating to the February 2, 2017 private placement in accounts payable.

### The significant non-cash investing and financing activities for the year ended March 31, 2016 included:

- a) Annual translation adjustment of (\$531,317) in revaluating the investment in joint venture at the end of the year.
- b) Issuance of 332,700 broker warrants valued at \$34,582 in connection with private placements.
- c) \$29,868 in property & equipment additions in accounts payable
- d) Reduction of the GRIT finders' fee accrual of \$47,072 in accounts payable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016  
 EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

**19. Segmented information**

The Company's operations are comprised of two reportable segments; the development of graphite mineral properties through the joint venture in Sakura (PVT) Ltd and graphene related research and development activities through the Company's Graphene Corp. The net loss and comprehensive loss and non-current assets identifiable with these segments are as follows:

Loss and comprehensive loss for the years ended March 31,	2017	2016
	\$	\$
Graphene Corp. (Canada)	507,731	525,052
Sakura (Sri Lanka)	397,196	789,223
Corporate (Canada)	1,498,775	2,220,775
	2,403,702	3,535,050
<hr/>		
Non-current assets as at March 31,	2017	2016
	\$	\$
Graphene Corp. (Canada)	266,098	165,266
Sakura (Sri Lanka)	8,208,025	7,573,137
	8,474,123	7,738,403

**20. Commitments**

The Company through its subsidiary, Graphene Corp., entered into a three year operating lease for premises used for its graphene research. The lease commenced March 1, 2016 and will expire February 28, 2019 unless terminated earlier, extended or renewed by the parties to the lease. The total minimum lease payments are \$2,515 per month. The Company is committed to the lease as follows:

Year ending March 31,	Amount (\$)
2018	30,180
2019	27,665

**21. Subsequent event**

In April 2017 the Company signed an agreement with ACOA for funding under the agency's Business Development Program. ACOA shall contribute up to \$1,306,150 toward the purchasing of specialized equipment. The \$1,306,150 interest free loan shall be repayable over 110 months commencing January 1, 2018. The principal amount due at the beginning of each month is \$11,767.