



ELCORA
ADVANCED MATERIALS

ELCORA ADVANCED MATERIALS CORP.

Condensed Interim Consolidated Financial Statements

For the six month periods ended September 30, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Elcora Advanced Materials Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

As at	September 30, 2018	March 31, 2018
	\$	\$
Assets		
Current assets		
Cash	365,935	952,375
Investment in marketable securities	15,752	44,367
Accounts receivable (note 8)	51,669	89,949
Prepaid expenses (note 9)	7,743	17,565
	441,099	1,104,256
Non-current assets		
Prepaid expenses (note 9)	116,505	119,763
Investment in Joint Venture (note 12)	7,383,121	8,003,264
Property and equipment (note 11)	380,982	437,270
Total assets	8,321,707	9,664,553
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	823,176	737,458
Current portion of loan payable (note 14)	100,493	77,367
	923,669	814,825
Long-term liabilities		
Loan payable (note 14)	328,344	332,404
Total liabilities	1,252,013	1,147,229
Shareholders' equity		
Share capital (note 15)	16,064,048	15,064,048
Subscriptions received in advance (note 15)	-	1,000,000
Share based payment reserve (note 15)	3,532,531	3,532,531
Accumulated other comprehensive income	(799,547)	(199,667)
Deficit	(11,727,338)	(10,879,588)
Total shareholders' equity	7,069,694	8,517,324
Total liabilities and shareholders' equity	8,321,707	9,664,553

-See Accompanying Notes-

Going concern (note 2)
 Commitments (notes 18)

Approved on behalf of the Board of Directors on November 28, 2018

"Troy Grant"

Director

"Denis Choquette"

Director

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Three month period ended		Six month period ended	
	September	September	September	September
	30,	30,	30,	30,
	2018	2017	2018	2017
	\$	\$	\$	\$
Expenses				
Research and development, net of government grants and assistance <i>(note 14)</i>	151,792	(18,238)	424,760	62,251
Professional fees	21,797	70,351	27,006	160,457
General and administrative expenses <i>(note 13)</i>	16,472	11,587	24,305	30,231
Depreciation expense <i>(note 11)</i>	28,144	21,798	56,288	44,152
Management and consulting fees <i>(note 13)</i>	100,000	137,500	200,000	305,988
Transfer, filing and listing fees	15,106	13,799	30,258	28,677
Investor relations	378	-	378	-
Interest income	(10)	(1,440)	(10)	(3,029)
Accreted interest <i>(note 14)</i>	13,645	9,645	32,097	17,650
Realized & unrealized gain on marketable securities	23,583	1,171	26,247	(3,348)
Share of loss in investment using the equity method <i>(note 12)</i>	2,782	(188)	5,594	72,128
Loss on foreign exchange	19,834	33,455	20,827	59,339
Loss for the period	(393,523)	(279,440)	(847,750)	(774,496)
Other comprehensive loss				
Items that may be subsequently reclassified to profit and loss				
Translation adjustment	(599,867)	(581,631)	(599,880)	(768,809)
Comprehensive loss for the period	(993,390)	(861,071)	(1,447,630)	(1,543,305)
Loss and comprehensive loss per share - Basic and diluted loss per share				
	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of outstanding common shares - Basic and diluted				
	86,493,313	82,783,127	85,729,424	82,783,127

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital (\$)	Subscription received in advance (\$)	Share based payment reserve (\$)	Accumulated other Comprehensive income (\$)	Deficit (\$)	Total shareholders' equity (\$)
Balance - March 31, 2017	82,783,127	14,775,731	-	3,455,096	282,901	(9,120,874)	9,392,854
Net loss	-	-	-	-	-	(774,496)	(774,496)
Translation adjustment	-	-	-	-	(768,809)	-	(768,809)
Comprehensive loss	-	-	-	-	(768,809)	(774,496)	(1,543,305)
Balance - September 30, 2017	82,783,127	14,775,731	-	3,455,096	(485,908)	(9,985,370)	7,849,549
Balance - March 31, 2018	83,368,313	15,064,048	1,000,000	3,532,531	(199,667)	(10,879,588)	8,517,324
Net loss	-	-	-	-	-	(847,750)	(847,750)
Translation adjustment	-	-	-	-	(599,880)	-	(599,880)
Comprehensive loss	-	-	-	-	(599,880)	(847,750)	(1,447,630)
Shares issued for private placement	3,125,000	1,000,000	(1,000,000)	-	-	-	-
Balance - September 30, 2018	86,493,313	16,064,048	-	3,532,531	(799,547)	(11,727,338)	(7,069,694)

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	September 30, 2018	September 30, 2017
	\$	\$
Cash flows from operating activities		
Net loss for the period	(847,750)	(774,496)
Adjustments for items not involving cash:		
Depreciation expense	56,288	44,152
Government assistance benefit	(18,417)	(64,430)
Share of loss in investment in associate	5,594	72,128
Accreted interest	32,097	17,601
Realized and unrealized gain on marketable securities	17,025	(3,455)
Unrealized loss on foreign exchange	26,247	18,890
Changes in non-cash working capital items:		
Increase in accounts receivable	38,280	58,341
Increase in prepaid expenses	13,080	118,469
Increase in accounts payable and accrued liabilities	85,731	172,305
Net cash used for operating activities	(591,825)	(340,495)
Investing activities		
Investment in Joint Venture	-	(378,560)
Acquisition of equipment	-	(107,957)
Net cash used for investing activities	-	(486,517)
Financing activities		
Proceeds from long-term loan	35,985	198,216
Repayment of long-term loan	(30,600)	(15,300)
Net cash used for investing activities	5,385	182,916
Decrease in cash	(586,440)	(643,998)
Cash, beginning	952,375	1,351,808
Cash ending	365,935	707,712

Supplemental disclosure with respect to cash flows - note 16

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2018
UNAUDITED - 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 registered office is at 789 West Pender Street, Suite 810, Vancouver, British Columbia, V6C 1H2, Canada and its 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 condensed interim 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 period ended September 30, 2018, the Company incurred losses of \$847,750 (September 30, 2017 - \$774,496) and as at September 30, 2018 had an accumulated deficit of \$11,727,338 (March 31, 2018 - \$10,879,588). The Company has no income or cash flows from operations and at September 30, 2018 had a working capital deficiency of \$482,571 (March 31, 2018 – working capital - \$289,431).

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.

These condensed interim 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.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2018
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3. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2018. These financial statements have been prepared following the same accounting policies as the Company’s audited consolidated financial statements for the year ended March 31, 2018.

The Board of Directors approved these condensed interim consolidated financial statements on November 29, 2018.

Basis of measurement

These condensed interim 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 condensed interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, 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 condensed interim consolidated financial statements.

4. Significant Accounting Policies

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company’s audited consolidated financial statements for the year ended March 31, 2018, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed consolidated interim financial statements requires that the Company’s management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company’s condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

Several amendments to existing accounting standards became effective January 1, 2018 and were first adopted by the Company in the six-month period ended September 30, 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. As the Company does not have any revenue from customers, this change had no impact on the financial statements.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2018
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

4. Significant Accounting Policies (continued)

IFRS 9 Financial Instruments

A finalized version of *IFRS 9 Financial Instruments* replaces *IAS 39 Financial Instruments: Recognition and Measurement*. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from *IAS 39*. This change had no impact on the financial statements.

New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB, as described below.

Applicable to the Company's annual period beginning on January 1, 2019:

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with *IFRS 16's* approach to lessor accounting substantially unchanged from its predecessor, *IAS 17 Leases*.

The Company has not early-adopted this standard and is currently assessing the impact that the standard will have on the condensed consolidated interim financial statements.

5. Critical accounting estimates and judgments

The preparation of condensed interim 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 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.

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5. Critical accounting estimates and judgments (continued)

Government assistance

Elcora received an interest-free repayable loan from the Atlantic Canada Opportunities Agency (“ACOA”), a government agency. The benefit of the 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.

6. 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, 2018, 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 and accounts payable approximate their fair value due to their short-term maturities.

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. In addition, cash is measured using level 1 inputs.

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

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. 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.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s accounts payable and loan payable are non-interest bearing and have contractual maturities of 30 days or less, except as otherwise noted. As such, the Company is not exposed to interest rate risk.

ELCORA ADVANCED MATERIALS CORP.
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FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2018
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6. Financial instruments and fair values (continued)

iii) Price risk

The Company is exposed to price risk as it relates to its investment in marketable securities. At September 30, 2018, a 5% change in the quoted price of marketable securities would impact net loss by \$788 (2017 - \$ 1,400). 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.

(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 with 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 September 30, 2018, the Company had cash of \$365,935 (March 31, 2018 - \$952,375) to settle current liabilities of \$923,669 (March 31, 2018 - \$814,825).

7. 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 September 30, 2018 totaled \$7,069,694 (March 31, 2018 - \$8,517,324). 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. There were no changes in the Company's approach to capital management during the year.

8. Accounts receivable

	September 30, 2018	March 31, 2018
	\$	\$
Sales tax recoverable	51,669	31,926
Government grants receivable	-	58,023
	51,669	89,949

9. Prepaid expenses

	September 30, 2018	March 31, 2018
	\$	\$
Current	7,743	17,565
	7,743	17,565
Non-current	116,505	119,763
	124,248	137,328

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2018
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

9. Prepaid expenses (continued)

On February 9, 2018, the Company entered into a Sale and Purchase Agreement with a Sri Lankan individual ("Seller") to purchase Pathaha Agro (Private) Limited ("Pathaha"), a private company incorporated in Sri Lanka, for total consideration of USD \$990,000. The Company paid a deposit of \$116,505 (USD \$90,000), which is included in prepaid expenses. The remaining consideration shall be paid on completion, subject to the following conditions being satisfied:

- a) Pathaha shall have been granted certain exploration licenses from the Geological Surveys and Mines Bureau of Sri Lanka;
- b) Pathaha shall have been granted one Artisan Mining License from the Geological Surveys and Mines Bureau of Sri Lanka;
- c) Pathaha shall have the right to possess the land with respect to which the Artisan Mining License applies; and
- d) The Board of Investment of Sri Lanka shall have approved the purchase of Pathaha by the Company.

As of the date of these financial statements, the Company is still undergoing due diligence and the conditions above had not yet been satisfied.

On February 9, 2018, the Company entered into a Facilitation Fee Agreement with the Seller of Pathaha, whereby the Seller will act as a facilitator for the Company in Sri Lanka in exchange for a facilitation fee of 10% of the gross turnover of all the entities and enterprises related to graphite of which the Company has an interest above 25%, except for turnover attributed to Sakura Graphite (PVT) Ltd. The Facilitation Fee Agreement shall continue for a term of 20 years.

10. Accounts payable and accrued liabilities

	September 30, 2018	March 31, 2018
	\$	\$
Accounts payable (note 13)	97,351	111,977
Accrued liabilities (note 13)	725,825	625,481
	823,176	737,458

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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UNAUDITED - EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

11. Property and equipment

	Lab Equipment \$	Drilling Equipment \$	Leasehold Improvements \$	Total \$
Period ended September 30, 2018				
Opening net book value	266,715	136,201	34,354	437,270
Additions	-	-	-	-
Depreciation for the period	(39,192)	(9,966)	(7,130)	(56,288)
Closing net book value	227,523	126,235	27,224	380,982
At September 30, 2018				
Cost	391,913	139,523	57,039	588,475
Accumulated depreciation	(164,392)	(13,288)	(29,815)	(207,495)
Closing net book value	227,523	126,235	27,224	380,982
Year ended March 31, 2018				
Opening net book value	234,084	-	32,014	266,098
Additions	111,014	139,523	16,600	267,137
Depreciation for the period	(78,383)	(3,322)	(14,260)	(95,965)
Closing net book value	266,714	136,201	34,354	437,270
At March 31, 2018				
Cost	391,915	139,523	57,039	588,477
Accumulated depreciation	(125,200)	(3,322)	(22,685)	(151,207)
Closing net book value	266,715	136,201	34,354	437,270

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 \$2,736 (2017 - \$88,149) (Note 14). The government assistance allocated to lab equipment, leaseholds improvements, and drilling equipment was \$2,736, \$Nil and \$Nil respectively (2017 - \$70,116, \$18,033, and \$Nil) (note 14).

12. 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 ("Sakura") of Sri Lanka. The remaining 60% of Sakura is owned by J.D.K. Wickramaratne, through his wholly owned company KWA Holdings (PVT) Ltd. ("KWA"). Pursuant to the transaction, Elcora 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.

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12. Investment in Joint Venture (continued)

Sakura Joint Venture

Elcora relinquished its role as operator of the Ragedara mine to focus on setting up its additional Sri Lankan operations, leaving KWA responsible for the operations and development of the Ragedara mine. The Sakura Graphite Mine is located on Sakura's leased plots totaling 70 acres in Sri Lanka (the "Mine").

Elcora will earn 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 return the mine to commercial production, to a maximum of US\$12 million. As at June 30, 2018, approximately US\$3 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 condensed interim consolidated financial statements.

	September 30, 2018	March 31, 2018
	\$	\$
Investment in Joint Venture		
Opening balance	7,812,310	8,005,380
Investment in Sakura	-	385,631
Share of loss	(5,594)	(96,133)
Translation loss	(599,876)	(482,568)
	7,206,840	7,812,310
Advances receivable from Sakura	176,281	190,954
	7,383,121	8,003,264

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.

Summary Statements of Loss and Comprehensive loss

	September 30, 2018	March 31, 2018
	\$	\$
For the period ended		
Operating general and administration expenses	-	213,327
Depreciation and amortization	13,984	30,504
Net loss and comprehensive loss	13,984	243,831

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12. Investment in Joint Venture (continued)

Summary Statements of Financial Position

As at	September 30, 2018	March 31, 2018
	\$	\$
Cash and receivables	-	-
Current assets	-	-
Non-current assets	18,348,287	19,889,527
	18,348,287	19,889,527
Accounts payable and other payables	154,876	167,798
Current liabilities	154,876	167,798
Non-current liabilities	176,283	190,954
Shareholders' equity	18,017,128	19,530,775
Net loss and comprehensive loss	18,348,287	19,889,527

As at	September 30, 2018	March 31, 2018
	\$	\$
Net assets of the Joint Venture	18,017,128	19,530,775
Proportion of the Company' ownership interest in the Joint Venture	40%	40%
Carrying amount of the Company's interest in the Joint Venture	7,206,840	7,812,310

13. Related party transactions

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:

	September 30, 2018	September 30, 2017
	\$	\$
Rent and administrative fees to a company jointly controlled by the CFO	9,500	-
Consulting fees paid to the CEO and CFO	200,000	200,000

On September 30, 2018, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were \$485,415 (March 31, 2018 - \$395,404) (Note 10). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

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14. Loan payable

	September 30, 2018	March 31, 2018
	\$	\$
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 September 30, 2018, the amount drawn down on the loan is \$228,150 (March 31, 2018 - \$258,749)	173,944	190,754
ACOA interest-free loan with a maximum contribution of \$1,306,150, repayable in 111 equal monthly payments of \$4,042 commencing January 1, 2019. As at September 30, 2018, the amount drawn down on the loan is \$484,613 (March 31, 2018 - \$448,627)	254,893	219,017
	428,837	409,771
Less : Current portion	(100,493)	(77,367)
	328,344	332,404

During the period ended September 30, 2018, the Company received an interest-free loan of \$35,985 (March 31, 2018 - \$448,627) from the ACOA. Based on management's analysis as at September 30, 2018, the fair value of the loan was \$17,568 (March 31, 2018 - \$409,771). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (March 31, 2018 - 15%).

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

Year ending	\$
March 31, 2019	38,598
March 31, 2020	113,591
March 31, 2021	113,591
March 31, 2022	113,591
March 31, 2023	71,441
Thereafter	261,953
	712,763

	September 30, 2018	March 31, 2018
	\$	\$
Balance - Beginning of the year	409,771	210,829
Advanced, \$18,417 (March 31, 2018 - \$239,179) allocated to government assistance	17,569	209,448
Repayment	(30,600)	(51,000)
Accreted Interest	32,097	40,494
Balance - End of the year	428,837	409,771
Less: Current portion	(100,493)	(77,367)
Non-current portion	328,344	332,404

During the period ended September 30, 2018 a portion of the government assistance benefit relating to the loan of \$18,417 (2017 - \$Nil) was recorded as a reduction in related research and development expenses.

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15. Share capital and reserves

Authorized capital stock

Unlimited common shares without nominal or par value

Issuance of shares and warrants

Shares Issued for the period ended September 30, 2018

- On May 17, 2018, the Company closed a private placement of 3,125,000 units at a price of \$0.32 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.36 for two years.

Warrants

	Number of warrants #	Weighted average exercise price \$
Closing Balance – March 31, 2017	20,376,305	0.31
Exercised during the year	(185,186)	0.30
Expired during the year	(2,632,643)	0.43
Closing Balance – March 31, 2018	17,558,476	0.29
Issued during the period	3,125,000	0.36
Closing balance – September 30, 2018	20,683,476	0.30

Warrants outstanding as of September 30, 2018:

Expiry Date	Number of Warrants Outstanding and exercisable	Exercise Price (\$)
June 10, 2019	1,116,875	0.52
June 30, 2019	6,827,442	0.19
February 2, 2019	9,140,909	0.34
February 23, 2019	473,250	0.34
May 17, 2020	3,125,000	0.36
Total	20,683,476	

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.

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15. Share capital and reserves (continued)

The following table summarizes the changes in the outstanding stock options for period ended September 30, 2018:

	Number of options #	Weighted average exercise price \$
Balance – exercisable at end of March 31, 2017	5,702,500	0.15
Issued	1,200,000	0.20
Exercised	(400,000)	0.31
Balance – exercisable at end of March 31, 2018 and September 30, 2018	6,502,500	0.15

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2018 is below:

Exercise prices	Outstanding options			Exercisable options	
	Number of options outstanding #	Weighted average remaining term (years)	Weighted average exercise price \$	Number of options exercisable #	Weighted average exercise price \$
\$0.01 - \$0.10	2,932,500	2.54	0.10	2,932,500	0.10
\$0.11 - \$0.20	1,120,000	2.82	0.15	1,120,000	0.15
\$0.21 - \$0.30	2,450,000	2.42	0.21	2,450,000	0.21
	6,502,500	2.52	0.15	6,502,500	0.15

Subsequent to the period ended September 30, 2018, 245,000 stock options expired.

Share based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

16. Supplemental disclosure with respect to cash flows

The significant non-cash investing and financing activities for the period ended September 30, 2018 included:

- Quarterly translation adjustment of \$34,036 in revaluating the investment in the joint venture at the end of the period.

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17. 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 period ended September 30,	2018	2017
	\$	\$
Graphene Corp. (Canada)	330,405	133,921
Sakura (Sri Lanka)	5,594	73,315
Corporate (Canada)	1,111,631	288,820
	1,447,630	495,056

Non-current assets as at	September 30,	March 31,
	2018	2018
	\$	\$
Graphene Corp. (Canada)	380,982	437,270
Sakura (Sri Lanka)	7,383,121	8,003,264
Corporate (Canada)	116,505	119,763
	7,880,608	8,560,297

18. 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 September 1, 2017 and will expire August 31, 2020 unless terminated earlier, extended or renewed by the parties to the lease. The total minimum lease payments are \$4,846 per month. The Company is committed to the lease as follows:

Year ending March 31,	Amount (\$)
2019	29,076
2020	58,152
2021	24,230

On February 9, 2018, the Company entered into a Facilitation Fee Agreement with the Seller of Pathaha, whereby the Seller will act as a facilitator for the Company in Sri Lanka in exchange for a facilitation fee of 10% of the gross turnover of all the entities and enterprises related to graphite of which the Company has an interest above 25%, except for turnover attributed to Sakura Graphite (PVT) Ltd. The Facilitation Fee Agreement shall continue for a term of 20 years.