



**ELCORA**

**ELCORA ADVANCED MATERIALS CORP.**

**Consolidated Financial Statements**

For the years ended March 31, 2018 and 2017



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## 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., which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 audit 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 Elcora Advanced Materials Corp. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Elcora Advanced Materials Corp.'s ability to continue as a going concern.

### Other Matter

The consolidated financial statements of Elcora Advanced Materials Corp. for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 5, 2017.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
July 23, 2018

**ELCORA ADVANCED MATERIALS CORP.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT ENDED MARCH 31, 2018 AND MARCH 31, 2017  
EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2018	March 31, 2017
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	952,375	1,351,808
Investment in marketable securities	44,367	43,357
Accounts receivable (note 9)	89,949	69,483
Prepaid expenses (note 10)	17,565	124,339
	<b>1,104,256</b>	<b>1,588,987</b>
<b>Non-current assets</b>		
Prepaid expenses (note 10)	119,763	-
Investment in Joint Venture (note 13)	8,003,264	8,208,025
Property and equipment (note 12)	437,270	266,098
<b>Total assets</b>	<b>9,664,553</b>	<b>10,063,110</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	737,458	459,427
Current portion of loan payable (note 15)	77,367	14,975
	<b>814,825</b>	<b>474,402</b>
<b>Long-term liabilities</b>		
Loan payable (note 15)	332,404	195,854
<b>Total liabilities</b>	<b>1,147,229</b>	<b>670,256</b>
<b>Shareholders' equity</b>		
Share capital (note 17)	15,064,048	14,775,731
Subscriptions received in advance (note 17)	1,000,000	-
Share based payment reserve (note 17)	3,532,531	3,455,096
Accumulated other comprehensive income	(199,667)	282,901
Deficit	(10,879,588)	(9,120,874)
<b>Total shareholders' equity</b>	<b>8,517,324</b>	<b>9,392,854</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,664,553</b>	<b>10,063,110</b>

-See Accompanying Notes-

Going concern (note 2)  
Commitments (notes 15 and 20)  
Subsequent event (note 21)

**Approved on behalf of the Board of Directors on July 23, 2018**

"Troy Grant"

Director

"Denis Choquette"

Director

**ELCORA ADVANCED MATERIALS CORP.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017  
EXPRESSED IN CANADIAN DOLLARS**

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	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
<b>Expenses (Income)</b>		
Research and development, net of government grants and assistance <i>(note 15)</i>	<b>238,085</b>	758,565
Professional fees	<b>215,862</b>	45,158
General and administrative expenses	<b>67,606</b>	134,770
Depreciation expense <i>(note 12)</i>	<b>95,965</b>	55,242
Management and consulting fees <i>(note 14)</i>	<b>630,987</b>	838,308
Transfer, filing and listing fees	<b>54,730</b>	60,298
Investor relations expense	<b>93,038</b>	42,809
Stock-based compensation <i>(note 17)</i>	<b>178,789</b>	68,154
Interest expense	<b>8,114</b>	510
Interest income	<b>(3,918)</b>	(1,254)
Accreted Interest <i>(note 15)</i>	<b>40,494</b>	23,146
Realized & unrealized gain on marketable securities	<b>(2,483)</b>	(28,122)
Share of loss in investments using the equity method <i>(note 13)</i>	<b>96,133</b>	291,564
Loss on foreign exchange	<b>45,312</b>	8,922
<b>Loss for the year</b>	<b>(1,758,714)</b>	(2,298,070)
<b>Other comprehensive loss</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>		
Annual translation adjustment	<b>(482,568)</b>	(105,632)
<b>Comprehensive loss for the year</b>	<b>(2,241,282)</b>	(2,403,702)
<b>Loss per share - Basic and diluted loss per share</b>	<b>(0.02)</b>	(0.03)
<b>Weighted average number of outstanding common shares - Basic and diluted</b>	<b>82,864,284</b>	73,384,404

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS AT MARCH 31, 2018 AND MARCH 31, 2017**  
**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	-	-	-	-	-	(1,758,714)	(1,758,714)
Translation adjustment	-	-	-	-	(482,568)	-	(482,568)
Comprehensive loss	-	-	-	-	(482,568)	(1,758,714)	(2,241,282)
Subscription received in advance (note 17)	-	-	1,000,000	-	-	-	1,000,000
Stock based compensation (note 17)	-	-	-	178,789	-	-	178,789
Options exercised (note 17)	400,000	225,354	-	(101,354)	-	-	124,000
Warrants exercised (note 17)	185,186	62,963	-	-	-	-	62,963
<b>Balance - March 31, 2018</b>	<b>83,368,313</b>	<b>15,064,048</b>	<b>1,000,000</b>	<b>3,532,531</b>	<b>(199,667)</b>	<b>(10,879,588)</b>	<b>8,517,324</b>
Balance - March 31, 2016	69,347,967	11,067,378	-	3,374,849	388,533	(6,822,804)	8,007,956
Net loss	-	-	-	-	-	(2,298,070)	(2,298,070)
Translation adjustment	-	-	-	-	(105,632)	-	(105,632)
Comprehensive loss	-	-	-	-	(105,632)	(2,298,070)	(2,403,702)
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
Balance - March 31, 2017	82,783,127	14,775,731	-	3,455,096	282,901	(9,120,874)	9,392,854

**ELCORA ADVANCED MATERIALS CORP.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017  
EXPRESSED IN CANADIAN DOLLARS**

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the year	<b>(1,758,714)</b>	(2,298,070)
Adjustments for items not involving cash:		
Depreciation expense	<b>95,965</b>	55,242
Government assistance benefit	<b>(38,385)</b>	(52,709)
Stock-based compensation	<b>178,789</b>	68,154
Share of loss in investment in associate	<b>96,133</b>	291,564
Accreted interest	<b>40,494</b>	23,146
Realized and unrealized gain on marketable securities	<b>(2,483)</b>	(28,122)
Unrealized loss on foreign exchange	<b>13,164</b>	2,934
<b>Changes in non-cash working capital items:</b>		
Increase in accounts receivable	<b>(20,466)</b>	(6,215)
Decrease (increase) in prepaid expenses	<b>(12,989)</b>	404,801
(Decrease) increase in accounts payable and accrued liabilities	<b>278,031</b>	(57,188)
Net cash used for operating activities	<b>(1,130,461)</b>	(1,596,463)
<b>Investing activities</b>		
Investment in Joint Venture	<b>(385,631)</b>	(1,035,018)
Acquisition of equipment	<b>(467,931)</b>	(225,431)
	<b>(853,562)</b>	(1,260,449)
<b>Financing activities</b>		
Proceeds on issuance of common shares	-	3,539,323
Proceeds on shares to be issued	<b>1,000,000</b>	-
Proceeds on exercise of options	<b>124,000</b>	-
Proceeds on exercise of warrants	<b>62,963</b>	281,433
Share issuance costs	-	(56,027)
Proceeds from long-term loan	<b>448,627</b>	309,749
Repayment of long-term loan	<b>(51,000)</b>	-
	<b>1,584,590</b>	4,074,478
Net increase (decrease) in cash	<b>(399,433)</b>	1,217,566
Cash, beginning	<b>1,351,808</b>	134,242
<b>Cash ending</b>	<b>952,375</b>	1,351,808

**Supplemental disclosure with respect to cash flows - note 18**

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**  
**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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**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 Frankfort 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 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, 2018, the Company incurred losses of \$1,758,714 (2017 - \$2,298,070) and as at March 31, 2018 had an accumulated deficit of \$10,879,588 (2017 - \$9,120,874). The Company has no income or cash flows from operations and at March 31, 2018 had a working capital of \$289,431 (2017 - \$1,114,585).

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 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 (“IASB”) 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 July 23, 2018.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**  
**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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**3. Basis of preparation (continued)**

**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, 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 comprehensive loss, except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature.

**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.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**  
**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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

**b) Financial instruments (continued)**

- (iii) Other financial liabilities at amortized cost: Other financial liabilities include accounts payable 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.

**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.

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

##### **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.

##### **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
Drilling equipment	7 years

##### **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 comprehensive loss with a corresponding increase to share based payment reserve. 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 share-based payment reserve is recorded as an increase to share capital.

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

##### **g) Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of 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.

##### **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 loss 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 Graphite (PVT) Ltd and graphene related research and development activities through the Company's subsidiary Graphene Corp.

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

##### **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 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.

##### **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.

The Company also has an interest-free repayable funding obligation from the Government of Canada. 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.

#### **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 April 1, 2018, 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

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**5. Recent accounting pronouncements (continued)**

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 has assessed that the impact of the new standard on its consolidated financial statements will be minimal.

**IFRS 16, Leases**

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2017 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.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**6. Critical accounting estimates and judgments**

The preparation of 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.

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**6. Critical accounting estimates and judgments (continued)**

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 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.

**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, 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.

Financial assets included in the statement of financial position are classified as follows:

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
Loans and receivables:		
Cash	<b>952,375</b>	1,351,808
Accounts receivable	<b>89,949</b>	69,483
Fair value through profit and loss:		
Investment in marketable securities	<b>44,367</b>	43,387
	<b>1,086,691</b>	1,464,678

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

Financial liabilities included in the statement of financial position are classified as follows:

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
Other financial liabilities at amortized cost:		
Accounts payable	<b>111,977</b>	103,028
Loan payable	<b>409,771</b>	210,829
	<b>521,748</b>	313,857

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. 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. As at March 31, 2018, 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, 2018, a 5% change in the quoted price of marketable securities would impact net loss by \$2,218 (2017 - \$2,168). 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.

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**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 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 March 31, 2018, the Company had cash of \$952,375 (2017 - \$1,351,808) to settle current liabilities of \$814,825 (2017 - \$474,402).

**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, 2018 totaled \$8,517,324 (2017 - \$9,392,854). 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.

**9. Accounts receivable**

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
Sales tax recoverable	<b>31,926</b>	37,076
Government grants receivable	<b>58,023</b>	32,407
	<b>89,949</b>	69,483

**10. Prepaid expenses**

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
<b>Current</b>		
Consultants	-	105,988
Other	<b>17,565</b>	18,351
	<b>17,565</b>	124,339
<b>Non-current</b>	<b>119,763</b>	-
	<b>137,328</b>	124,339

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**10. 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 \$119,763 (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.

**11. Accounts payable and accrued liabilities**

	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	<b>\$</b>
Accounts payable (note 14)	<b>111,977</b>	103,028
Accrued liabilities (note 14)	<b>625,481</b>	356,399
	<b>737,458</b>	459,427

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**12. Property and equipment**

	Lab Equipment \$	Leasehold Improvements \$	Drilling equipment \$	Total \$
Year ended March 31, 2018				
Opening net book value	234,084	32,014	-	266,098
Additions	111,014	16,600	139,523	267,137
Depreciation for the year	(78,383)	(14,260)	(3,322)	(95,965)
<b>Closing net book value</b>	<b>266,715</b>	<b>34,354</b>	<b>136,201</b>	<b>437,270</b>
At March 31, 2018				
Cost	391,915	57,039	139,523	588,477
Accumulated depreciation	(125,200)	(22,685)	(3,322)	(151,207)
<b>Closing net book value</b>	<b>266,715</b>	<b>34,354</b>	<b>136,201</b>	<b>437,270</b>
Year ended March 31, 2017				
Opening net book value	165,266	-	-	165,266
Additions	115,635	40,439	-	156,074
Depreciation for the year	(46,817)	(8,425)	-	(55,242)
<b>Closing net book value</b>	<b>234,084</b>	<b>32,014</b>	<b>-</b>	<b>266,098</b>
At March 31, 2017				
Cost	280,901	40,439	-	321,340
Accumulated depreciation	(46,817)	(8,425)	-	(55,242)
<b>Closing net book value</b>	<b>234,084</b>	<b>32,014</b>	<b>-</b>	<b>266,098</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 \$270,150 (2017 - \$69,357) (Note 15). The government assistance allocated to lab equipment, leaseholds improvements, and drilling equipment was \$89,706, \$18,033, and \$162,411 respectively (2017 - \$51,324, \$18,033, and \$Nil) (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 ("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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**13. 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 March 31, 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 consolidated financial statements.

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
<b>Investment in Joint Venture</b>		
Opening balance	<b>8,005,380</b>	7,367,558
Investment in Sakura	<b>385,631</b>	1,035,018
Share of loss	<b>(96,133)</b>	(291,564)
Translation loss	<b>(482,568)</b>	(105,632)
	<b>7,812,310</b>	8,005,380
Advances receivable from Sakura	<b>190,954</b>	202,645
	<b>8,003,264</b>	8,208,025

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 Comprehensive loss**

	<b>March 31, 2018</b>	March 31, 2017
	\$	\$
<b>For the years ended</b>		
Operating general and administration expenses	<b>209,829</b>	687,848
Depreciation and amortization	<b>30,504</b>	41,062
Net loss and comprehensive loss	<b>240,333</b>	728,910

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

**Summary Statements of Financial Position**

<b>As at</b>	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	<b>\$</b>
Cash and receivables	-	61,928
Current assets	-	61,928
Non-current assets	<b>19,889,527</b>	20,278,052
	<b>19,889,527</b>	20,339,980
Accounts payable and other payables	<b>167,798</b>	123,886
Current liabilities	<b>167,798</b>	123,886
Non-current liabilities	<b>190,954</b>	202,645
Shareholders' equity	<b>19,530,775</b>	20,013,449
Net loss and comprehensive loss	<b>19,889,527</b>	20,339,980

<b>As at</b>	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	<b>\$</b>
Net assets of the Joint Venture	<b>19,530,775</b>	20,013,449
Proportion of the Company' ownership interest in the Joint Venture	<b>40%</b>	40%
Carrying amount of the Company's interest in the Joint Venture	<b>7,812,310</b>	8,005,380

**14. 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:

	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	<b>\$</b>
Consulting fees	<b>400,000</b>	400,000

On March 31, 2018, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were \$395,404 (2017- \$91,821) (Note 11). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

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**15. Loan payable**

	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	\$
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, 2018, the amount drawn down on the loan is \$258,749 (2017 - \$309,749)	<b>190,754</b>	210,829
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 March 31, 2018, the amount drawn down on the loan is \$448,627	<b>219,017</b>	-
	<b>409,771</b>	210,829
Less : Current portion	<b>(77,367)</b>	(14,975)
	<b>332,404</b>	195,854

During the year ended March 31, 2018, the Company received an interest-free loan of \$448,627 (2017 - \$309,749) from the ACOA. Based on management's analysis as at March 31, 2018, the fair value of the loan was \$409,771 (2017 - \$210,829). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (2017 - 15%).

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

Year ending	\$
March 31, 2019	77,367
March 31, 2020	109,700
March 31, 2021	109,700
March 31, 2022	109,700
March 31, 2023	62,450
	<b>468,917</b>

	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	\$
Balance – Beginning of the year	<b>210,829</b>	-
Advanced, \$239,179 (2017 - \$122,066) allocated to government assistance	<b>209,448</b>	187,683
Repayment	<b>(51,000)</b>	-
Accreted Interest	<b>40,494</b>	23,146
Balance – End of the year	<b>409,771</b>	210,829
Less: Current portion	<b>(77,367)</b>	(14,975)
Non-current portion	<b>332,404</b>	195,854

During the year ended March 31, 2018 a portion of the government assistance benefit relating to the loan of \$38,385 was recorded as a reduction in related research and development expenses (2017 - \$52,709) and a portion was allocated as a reduction to property and equipment of \$200,793 (2017 - \$69,357) (Note 12).

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**16. Income taxes**

**a) Losses**

The Company has capital losses of \$269,000 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 \$7,015,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

Year ending	\$
March 31, 2032	35,000
March 31, 2033	342,000
March 31, 2034	1,081,000
March 31, 2035	1,220,000
March 31, 2036	1,122,000
March 31, 2037	1,817,000
March 31, 2028	1,398,000
	<b>7,015,000</b>

**b) Effective income tax rate**

At March 31, 2018 and 2017, 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:

	March 31, 2018 \$	March 31, 2017 \$
Loss before income taxes	<b>1,758,714</b>	2,298,070
Income tax recovery based on statutory rates	<b>545,201</b>	712,402
Non-deductible stock option expense	<b>(55,425)</b>	(21,128)
Unrealized (gains) and losses	<b>770</b>	11,442
Share of loss in joint venture	<b>(29,801)</b>	(90,385)
Share issue cost	<b>16,112</b>	26,160
Capital cost allowance	-	22,198
Unrealized foreign exchange (gains) and losses	<b>(14,047)</b>	(2,766)
Other	<b>105,631</b>	-
Unrecorded tax benefit of losses	<b>(568,441)</b>	(657,923)
<b>Recovery of income taxes</b>	-	-

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**16. Income taxes (continued)**

**c) Deferred tax assets and liabilities**

The following reflects the deferred tax assets and liabilities at March 31, 2018 and March 31, 2017:

	<b>March 31, 2018</b>	March 31, 2017
	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>		
Non-capital losses	<b>2,174,000</b>	1,777,000
Capital losses	<b>41,000</b>	41,000
Deductible share issuance costs	<b>32,000</b>	49,000
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 and evaluation assets	<b>48,000</b>	48,000
Tax value in excess of accounting value of Joint Venture	<b>299,000</b>	116,000
Cumulative eligible capital	<b>5,000</b>	-
Portion of deferred tax assets unrecognized	<b>(2,729,000)</b>	(2,161,000)
<b>Deferred tax asset</b>	<b>-</b>	<b>-</b>

**17. Share capital and reserves**

**Authorized capital stock**

Unlimited common shares without nominal or par value

**Issuance of shares and warrants**

**Shares Issued for the year ending March 31, 2018**

- During the year ended March 31, 2018, 185,186 warrants were exercised at \$0.34 per warrant. Total proceeds from the exercise was \$62,963.
- During the year ended March 31, 2018, 400,000 options were exercised at \$0.31. Total proceeds from exercise was \$124,000. An amount of \$101,354 was allocated from share based payment reserve to share capital on exercise of these options.
- During the year ended March 31, 2018, the Company received \$1,000,000 in share subscription toward a private placement that closed subsequent to the year end (Note 21).

**Shares Issued for the year ending March 31, 2017**

- 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 and incurred other share issuance costs of \$17,410 in connection with this private placement. The fair value of attached warrants of \$46,675 was allocated to share based payment reserve.

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**17. Share capital and reserves (continued)**

- 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.
- During the year ended March 31, 2017, 262,500 broker warrants were exercised 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. 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. Total proceeds from exercise were \$89,433.
- On February 23, 2017 the Company closed a non-brokered private placement financing announced on January 31, 2017. The Private Placement closed at a total of \$2,645,823 or 9,799,343 units. The first tranche closed on February 2, 2017 and involved the issuance of 9,326,093 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 Company'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 Company 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, issued 164,010 in common shares valued at \$0.27 per share, and incurred \$25,517 in other share issuance costs in connection with the private placement.

**Warrants**

	<b>Number of warrants #</b>	<b>Weighted average exercise price \$</b>
<b>Opening Balance – April 1, 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>	<b>20,376,305</b>	<b>0.31</b>
Exercised during the year	(185,186)	0.30
Expired during the year	(2,632,643)	0.43
<b>Closing Balance – March 31, 2018</b>	<b>17,558,476</b>	<b>0.29</b>

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**17. Share capital and reserves (continued)**

Warrants outstanding as of March 31, 2018:

<b>Expiry Date</b>	<b>Number of Warrants Outstanding and exercisable</b>	<b>Exercise Price (\$)</b>
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
<b>Total</b>	<b>17,558,476</b>	

**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, 2018:

	<b>Number of options #</b>	<b>Weighted average exercise price \$</b>
Balance – April 1, 2016	6,002,500	0.15
Forfeited	(300,000)	0.19
Balance – exercisable at end of March 31, 2017	5,702,500	0.15
Issued	1,200,000	0.20
Exercised	(400,000)	0.31
<b>Balance – exercisable at end of March 31, 2018</b>	<b>6,502,500</b>	<b>0.15</b>

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2018 is below:

<b>Exercise prices</b>	<b>Outstanding options</b>		<b>Exercisable options</b>		
	<b>Number of options outstanding #</b>	<b>Weighted average remaining term (years)</b>	<b>Weighted average exercise price \$</b>	<b>Number of options exercisable #</b>	<b>Weighted average exercise price \$</b>
\$0.01 - \$0.10	2,932,500	2.54	0.10	2,932,500	0.10
\$0.11 - \$0.20	1,120,000	3.80	0.15	1,120,000	0.15
\$0.21 - \$0.30	2,450,000	2.84	0.21	2,450,000	0.21
	6,502,500	2.87	0.15	6,502,500	0.15

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**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:

	<b>March 31, 2018</b>	March 31, 2017
Average dividend per share	-	-
Average share price	<b>0.20</b>	0.40
Average forecasted volatility	<b>107%</b>	144%
Average risk-free interest rate	<b>1.75%</b>	0.60%
Average expected life	<b>4 years</b>	4 years
Fair value - weighted average of options issued	<b>0.18</b>	0.34

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. During the year ended March 31, 2018 these options were granted under the Company's stock option plan. Also during the year ended March 31, 2018, the Company granted 600,000 stock options, exercisable at \$0.15 for a period of 5 years and granted 400,000 stock options, exercisable at \$0.31 for a period of 3 years.

For the year ended March 31, 2018, the Company recorded stock-based compensation expense with an offsetting increase to share based payment reserve of \$178,789 (2017 - \$68,154).

**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.

**18. Supplemental disclosure with respect to cash flows**

The significant non-cash investing and financing activities for the year ended March 31, 2018 included:

- a) Annual translation adjustment of (\$482,568) in revaluating the investment in joint venture at the end of the year.

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, 2018.
- c) \$44,283 of finders' fees relating to the February 2, 2018 private placement in accounts payable.

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**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,	<b>2018</b>	2017
	\$	\$
Graphene Corp. (Canada)	<b>344,476</b>	507,731
Sakura (Sri Lanka)	<b>96,133</b>	397,196
Corporate (Canada)	<b>1,800,673</b>	1,498,775
	<b>2,241,282</b>	2,403,702

Non-current assets as at March 31,	<b>2018</b>	2017
	\$	\$
Graphene Corp. (Canada)	<b>437,270</b>	266,098
Sakura (Sri Lanka)	<b>8,003,264</b>	8,208,025
Corporate (Canada)	<b>119,763</b>	-
	<b>8,560,297</b>	8,474,123

**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 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	58,152
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 (Note 10).

**21. Subsequent event**

Subsequent to March 31, 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. During the year ended March 31, 2018, the Company received subscriptions of \$1,000,000 toward this private placement (Note 17).