



**ELCORA**  
ADVANCED MATERIALS

**ELCORA ADVANCED MATERIALS CORP.**

**Management Discussion and Analysis**

For the period ended September 30, 2019 and 2018

**ELCORA ADVANCED MATERIALS CORP.  
MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018**

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**November 29, 2019**

*This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our condensed interim consolidated financial situation for the period ended September 30, 2019. This report, prepared as at November 29, 2019 intends to complement and supplement our condensed interim consolidated financial statements for the period ended September 30, 2019 and (the "Consolidated Financial Statements") and should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.*

*Our Consolidated Financial Statements and the MD&A are intended to provide a reasonable base for investors to evaluate our financial situation.*

*Our Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", the "Company" or "Elcora", we mean Elcora Advanced Materials Corp. or Elcora Corp., as it may apply.*

*The Consolidated Financial Statements and additional information related to Elcora Advanced Materials Corp. (the "Company" or "Elcora") is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).*

**FORWARD-LOOKING INFORMATION**

Certain statements in this MD&A are forward-looking statements or information (collectively "forward-looking statements"). The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market for graphite will continue and grow and that the risks listed below will not adversely impact the business of the Company.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: limited operating history; exploration and development risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; conflicts of interest of management; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of the Company.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors".

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**OVERVIEW AND DESCRIPTION OF BUSINESS**

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.

The Company is in the 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.

Elcora has constructed its own graphene production facility in the Canadian city of Halifax, Nova Scotia to supply premium quality graphene. The plant has a modular design wherein each "line" can produce 100 kg of graphene per year initially. The plant uses a graphite pre-cursor specially processed and refined for the Elcora graphene process within its vertically integrated supply chain.

The Company will continue to seek project acquisitions in the Advanced Material space that forms part of its overall strategy.

**COMPANY HIGHLIGHTS**

The following highlights are for the period ended September 30, 2019 and subsequent to the period end:

- On May 7, 2019, the Company entered into a non-binding joint venture Letter of Intent (the "LOI") with Eminent Minerals Limited (the "Eminent"). Eminent has an interest in a graphite deposit mine in South Nachu, Tanzania (the "Project"). Pursuant to the terms of the LOI, Eminent will provide Elcora raw graphite, which will be processed on site by the Company. The term the LOI is for 10 years, with an automatic renewal term. The profits from the sale of processed graphite will be finalized upon signing of the definitive agreement. The Project consists of 101 square kilometers in the United Republic of Tanzania. The United Republic of Tanzania is a friendly business jurisdiction with a UK based legal system, a multi-party democracy and a clearly defined Mining Legislation Act. The country is Africa's fourth-largest gold producer.
- During the period ended September 30, 2019, The Company entered into a research and development agreement with Solargise Canada Inc ("Solargise") to develop new technologies using graphite and graphene to improve and augment the efficiency of the solar photovoltaic panels manufactured by Solargise. Solargise is a technology-focused manufacturing and utility-scale power project development company created to take advantage of the global solar build-out as solar becomes the mainstream source of power generation.

## **EXPLORATION AND DEVELOPMENT STRATEGY**

### **Corporate Plans and Objectives**

Elcora's primary corporate development objective is to become a vertically integrated graphite producer, which mines, processes, refines, and produces graphite, graphene, and commercial products of the two. Elcora is developing ways to economically extract graphite from the mineralized material. To do that, Elcora is building a pilot plant to process the mineralized material from the Tanzanian graphite project. A pilot plant is being built with the same type of equipment that will be used on location in Tanzania. The pilot plant will be located at Elcora's facility in Bedford, Nova Scotia. Elcora is currently awaiting delivery of five tons of mineralized material from the Ruangwa mine in Tanzania. Once received the mineralized material will be processed and the graphite extracted (using Elcora's recently built pilot plant). The extracted graphite will then be purified to various grades. Elcora intends to target the expandable graphite market. The expandable graphite market is a large market and is forecast to expand significantly in the future. The expandable graphite market is expected to reach \$US 300M by 2025 from 170 Million US\$ in 2018. Source: (Mar 22, 2019 Heraldkeeper via COMTEX-- Market Study Report, LLC's latest research report on 'Expandable Graphite market). Detailed spec sheets for different grades of graphite will be generated. They will be posted on Elcora's website and sent to relevant end users. As an example, spec sheets for the expandable graphite market will include parameters like: particle size distribution, purity and expansion percent (e.g. 400%). Once the spec sheets are completed Elcora anticipates the buildout of a pilot plant on the Tanzanian site.

In prior years, the Company had secured through its joint venture with Sakura Graphite (Pvt) Ltd., a premier Graphite miner in Sri Lanka with its Ragedara mine. At March 31, 2019, the operations of Sakura could not support the carrying value of the investment and advances. Accordingly, the investment and advances were fully impaired.

During the year ended March 31, 2019 and during the period ended September 30, 2019, certain changes in government regulations relating to the mining industry started to affect the operations and advancement of the project. Furthermore, Sri-Lanka has become the subject of increased political and economic instability which greatly impacted the Company's investment. On April 21, 2019, Easter Sunday, three churches in Sri Lanka and three luxury hotels in the commercial capital Colombo were targeted in a series of coordinated terrorist suicide bombings. According to the State Intelligence Service a second wave of attacks were also planned but was stopped as a result of government raids. Following those events, the availability of mining explosive were severely impacted which brought the Ragedara mine operation to a halt for the time being. Elcora still maintains its 40% interest in the joint venture and has identified alternative sources of graphite, including the Eminent joint venture, in order to avoid disruption of graphite supply.

The overall goal of the Company remains to set itself apart from its peers by virtue of delivering the vertically integrated business strategy that the Company is pursuing for the benefit of shareholders and stakeholders. As Elcora advances its vertical integration business model in graphite and graphene production, the core business has shifted from mining and exploration to advanced material research and production. The Eminent transaction will provide the Company with additional reliable graphite source with similar quality and better pricing than the Ragedara mine in Sri Lanka.

Elcora's long-term objective is to market its graphite product and form advanced R&D collaboration relationships to further its own graphite research and development, including continuing the externally-funded project(s) to study Elcora's graphene as a conductivity promoter in lithium-ion batteries.

### **2020 Objectives:**

- Reach a definitive agreement with Eminent.
- Continue working with commercial Lithium-ion battery manufacturers to secure purchase orders of graphite anode powder;
- Optimize carbon coating processes for graphite anode powder;
- Process > 1000 kg of graphite for internal and external testing;
- Optimize spheronization methods to increase yield (> 70%) and control particle size;
- Fabricate super capacitors made from Elcora's graphite;
- Find markets for spheronization by-product; and,
- Continue externally-funded grants for project related to Elcora's graphene as a conductivity promoter in lithium-ion batteries.

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**RESULTS OF OPERATIONS**

All of the balances set out in this and following sections, including the Summary of quarterly results, conform to IFRS standards.

	Three month period ended, <b>September</b>		Six month period ended, <b>September</b>	
	<b>30, 2019</b>	September 30, 2018	<b>30, 2019</b>	September 30, 2018
			\$	\$
<b>Expenses</b>				
Research and development, net of government grants and assistance	<b>115,399</b>	151,792	<b>150,718</b>	424,760
Professional fees	<b>1,122</b>	21,797	<b>8,871</b>	27,006
General and administrative expenses	<b>6,839</b>	16,472	<b>22,856</b>	24,305
Depreciation	<b>57,131</b>	28,144	<b>88,763</b>	56,288
Management and consulting fees	<b>100,000</b>	100,000	<b>196,625</b>	200,000
Transfer, filing and listing fees	<b>9,785</b>	15,106	<b>14,145</b>	30,258
Investor relations	-	378	-	378
Accretion of interest	<b>29,586</b>	13,635	<b>58,599</b>	32,087
Realized and unrealized loss (gain) on marketable securities	<b>(11,239)</b>	23,583	<b>(7,226)</b>	26,247
Share of loss in investment using the equity method	-	2,782	-	5,594
Loss (gain) on foreign exchange	<b>312</b>	19,834	<b>(228)</b>	20,827
	<b>(308,935)</b>	(393,523)	<b>(533,123)</b>	(847,750)
<b>Other comprehensive loss</b>				
Items that may be subsequently reclassified to profit and loss				
Translation adjustment	<b>13</b>	(599,867)	-	(599,867)
<b>Comprehensive loss for the period</b>	<b>(308,922)</b>	(993,390)	<b>(533,123)</b>	(1,447,630)

The Company incurred a net loss of \$533,123 for the period ended September 30, 2019 compared to a net loss of \$847,750 for the corresponding period in 2018. Some of the significant charges to operations are as follows:

- Research and development expenses of \$150,718 related to all aspects of graphene research (See Company highlights) and the design and implementation of the Company's graphene production facility In Halifax, Nova Scotia (2018- \$424,760). The decrease is a result of cash preservation and adjustment to the term resulting in an extinguishment of debt for \$41,734, that was netted against research and development expenditure. During 2019, the Company has completed a research project with a commercial manufacturer of Li-ion batteries and results have shown that Elcora's graphite is high quality and suitable for use in commercial-grade Lithium ion batteries.
- Professional fees decreased from \$27,006 to \$8,871, as a result of cash preservation measures.
- Depreciation increased to \$88,763 from \$56,288 and is attributed to \$64,450 in depreciation from property and equipment, and the remainder is depreciation of the right-in use asset. In the comparative period, the Company did not have a right-in use asset to depreciate.
- Regulatory, transfer agent and filing fees amounting to \$14,145 (2018- \$30,258). Decrease due to general cost cutting initiatives.
- Accreted interest of \$58,599 (2018 - \$32,087) represents deemed interest recognized on the interest free ACOA loan received in the year, which was fair valued using a discount rate of 15%. Management believes this rate to be indicative of a reasonable market rate on similar debt. Since the comparative period date, the Company received additional loans from ACOA, resulting in an increase in accreted interest.
- Unrealized gain of \$7,226 compared to an unrealized loss of \$26,247 in the comparative period is a result of the fluctuating fair market value of the investment.

The Company incurred a net loss of \$308,935 compared to a net loss of \$393,523 in the comparative period for the three month period ended September 30, 2019. In general, there was a decrease in operating activities due to cost cutting initiatives as the Company is preserving cash for priority activities. Explanations and discussions for the variances are similar to the discussion above.

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**SUMMARY OF QUARTERLY RESULTS**

The table below presents selected financial data for the Company's eight most recently completed quarters:

	September 30 2019 \$	June 30 2019 \$	March 31 2019 \$	Dec 31 2018 \$	Sep 30, 2018 \$	June 30, 2018 \$	Mar 31, 2018 \$	Dec 31, 2017 \$
<i>Deficit and Cash Flow</i>								
Revenue	-	-	-	-	-	-	-	-
Net loss	(308,935)	(224,188)	(8,614,001)	(304,278)	(393,523)	(451,810)	(526,381)	(457,837)
Basic and diluted loss per share	(0.00)	(0.00)	(0.10)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)
<i>Balance Sheet</i>								
Total Assets	455,199	749,226	1,016,001	8,052,894	8,321,707	9,292,270	9,528,353	8,819,367

Net loss increases is primarily quarter over quarter is primarily attributed to increases in non cash activities, such as accreted interest and depreciation. Total assets decreased quarter over quarter as the Company's cash reserves decreased. Fluctuations in total assets during the quarter are mostly due to timing of financings and investments made into the Joint Venture.

**LIQUIDITY AND CAPITAL RESOURCES**

The Consolidated Financial Statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets.

As at September 30, 2019, the Company had working capital deficit of \$1,000,109 (March 31, 2019- \$451,833). The Company also had current liabilities of \$1,055,698 at September 30, 2019 (March 31, 2019 - \$1,064,105) with cash at \$14,913 (March 31, 2019 - \$579,361). The Company's future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company cautions that there are no cash flows from operations. The Company feels that its current cash holdings is adequate to meet its anticipated short-term obligations

The Corporation's ability to continue as a going concern is also dependent upon its ability to fund its research and development programs and its ability to develop a unique low-cost effective process to make graphene that is commercially scalable.

Depending on the price of minerals and finished product, the Company may determine that it is impractical to continue commercial production. The price of metals has fluctuated widely in recent years and is affected by many factors beyond the Company's control including changes in international investment patterns and monetary systems, economic growth rates, political developments, the extent of sales or accumulation of reserves by governments, and shifts in private supplies of and demands for metals and advanced materials.

## **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, 2019, the financial assets and liabilities have been classified into categories that determine their basis of measurement. All loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term maturities. The Company uses the following hierarchy in attempting to maximize the use of observable inputs and minimize the use of unobservable inputs, primarily using market prices in active markets.

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

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

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

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

#### **(a) Market risk**

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

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.

Management closely monitors foreign currency exchange rates to determine the appropriate course of action to be taken by the Company with respect to its foreign monetary assets or liabilities.

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

The Company's accounts payable and accrued liabilities and loan payable are non-interest bearing and have contractual maturities of 30 days or less, except as otherwise noted. As at September 30, 2019, 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 September 30, 2019, a 5% change in the quoted price of marketable securities would impact net loss by \$827 (2019 - \$788). 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.

The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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**FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)**

(b) Credit risk

Credit risk is the risk that a customer or third party to a financial instrument fails to meet its commercial obligations. The carrying amount of financial assets represents the maximum credit exposure. The Company manages credit risk by holding the majority of its cash and cash equivalents with AA rated banks in Canada, where management believes the risk of loss to be low.

All of the Company's cash and cash equivalents and marketable securities are held with reputable financial institutions and, as such, the Company does not consider its credit risk to be significant.

Our accounts receivable consists primarily of government receivables, we believe there is no credit risk associated with this.

(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, 2019, the Company had cash of \$14,913 (2019 - \$579,361) to settle current liabilities of \$1,055,698 (2018 - \$1,064,105). The Company may require further financing to fund operations.

Currently, the Company has sufficient working capital to cover its operating overheads and other commitments for the next twelve months. The timeline and estimated capital required to advance the project to the next stage are under review. The Company may need to raise additional financing to advance the project. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all.

**TRANSACTIONS WITH RELATED PARTIES**

The Directors and Executive Officers of the Company are as follows:

Troy Grant	Director, Chief Executive Officer & President
Theo van der Linde	Director, Chief Financial Officer
Denis Choquette	Director

The Company incurred the following related party transactions, with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the exchange amount as follows:

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

	<b>September 30, 2019</b>	September 30, 2018
	<b>\$</b>	\$
Consulting fees paid to 3063625 NS Ltd., a company wholly owned by the Chief Executive Officer	<b>125,000</b>	125,000
Consulting fees paid to Executive Management Solutions Ltd., a company wholly owned by the Chief Financial Officer	<b>75,000</b>	75,000
	<b>200,000</b>	200,000

As at September 30, 2019, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$696,543 (March 31, 2019 - \$719,404). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

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**OTHER INFORMATION**

**Off Balance Sheet Items**

The Company has no off-balance sheet arrangements.

**Outstanding Share Data**

Authorized capital stock of unlimited common shares without nominal or par value.

As at the date of this MD&A, there were 86,493,313 common shares of the Company issued and outstanding; 12,739,159 warrants outstanding; and, 8,620,000 options outstanding.

**RISKS AND UNCERTAINTIES**

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating the Company and its business before making any investment decision with regard to the common shares of the Company. The Company's business, operating and financial condition could be harmed due to any of the following risks. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

**Limited Operating History**

The Company is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Company was incorporated in June 2011 and has yet to generate a profit from its activities. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

**Exploration, Development and R&D Risks**

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

Research & Development pertaining Graphene involve certain risks surrounding market acceptance and commercial success of its product by research facilities, end-users and others in the advanced materials space. Established sales and marketing capabilities are lacking and is only being developed.

## **RISKS AND UNCERTAINTIES (CONTINUED)**

### **Substantial Capital Requirements and Liquidity**

Substantial additional funds for the establishment of the Company's current and planned exploration and development programs will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its exploration and development programs.

### **Fluctuating Mineral Prices**

The economics of mineral exploration and exploitation is affected by many factors beyond the Company's control, including changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing Companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals.

Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

### **Regulatory Requirements**

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage due to the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

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**Title to Properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its exploration properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to its exploration properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

**Requirement for Permits and Licenses**

A substantial number of permits and licenses will be required to conduct an exploration and development program; such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

**Competition**

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

**Reliance on Management and Dependence on Key Personnel**

The success of the Company will be largely dependent upon on the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

**No established resource or reserve, preliminary economic assessment and/or pre-feasibility**

The Sakura mine has no established resource and is without a known body of commercial ore. The decision to commence production at the Sakura graphite project and Elcora's plans for a small-scale mining operation as disclosed herein were based on economic models prepared by Elcora in conjunction with management's knowledge of the property and the prior limited recent operating history of the Sakura mine. The production decision and operating plan for the extraction and sale of graphite were not based on any preliminary economic assessment, a pre-feasibility study or a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with the production decision and operating plan, in particular the risk that mineral grades will be lower than expected, the risk that construction or ongoing mining operations will be more difficult or more expensive than expected, the risk that the Company will not be able to transport or sell the mineralized material it produces on the terms it expects, or at all; the risk that due to the absence of a detailed economic and technical analysis according to and in accordance with NI 43-101 the production and economic variables associated with mineral extractions and sale may vary considerably. Readers are cautioned that no reliable estimates of future production capability or the economics of any extraction activity can be made.

## **RISKS AND UNCERTAINTIES (CONTINUED)**

### **Environmental Risks**

The Company's exploration and exploitation programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining and processing business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

### **Governmental Regulations and Processing Licenses and Permits**

The activities of the Company are subject to Sri Lankan, Canadian and provincial approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

### **Foreign Country and Political Risk**

The Company might from time to time pursue mineral properties in unstable political or economic countries. The Company would be subject to certain risks, including currency fluctuations and possible political or economic instability in certain jurisdictions, which may result in the impairment or loss of mineral concessions or other mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may also adversely affect the Company's business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety. The Company does not presently own/pursue foreign exploration projects.

### **Local Resident Concerns**

Apart from ordinary environmental issues, work on, or the development and mining of the Property could be subject to resistance from local residents that could either prevent or delay exploration and development of the Sri-Lankan Property.

### **Conflicts of Interest**

Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource and graphene/graphite application companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest.

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**Uninsurable Risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares. The Company does not intend to maintain insurance against environmental risks.

**Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosures concerning Elcora's expenses are provided in the Company's statement of loss and note disclosures contained in its Financial Statements for the period ended September 30, 2019. These statements are available on Elcora's SEDAR Page. Site accessed through [www.sedar.com](http://www.sedar.com).

**Dividends**

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant

**Management's Responsibility for Financial Statements**

The information provided in this report, including the Consolidated Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with the Company's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Nature of the Securities**

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

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**Proposed Transactions**

There are currently no significant proposed transactions.

**Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the Consolidated Financial Statements and related financial reporting and internal control matters before the Consolidated Financial Statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the Consolidated Financial Statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.