



**Notice of Annual General Meeting  
and  
Information Circular**

**August 23, 2019**

# ELCORA ADVANCED MATERIALS CORP.

111 Ahmadi Crescent  
Bedford, Nova Scotia  
B4A 4E5

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Meeting**”) of the Shareholders of Elcora Advanced Materials Corp. (the “**Corporation**”) will be held at **Suite 10, 275 Rocky Lake Drive, Bedford, Nova Scotia**, on **Friday, September 27, 2019** at 10:00 a.m. (Halifax, Nova Scotia time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended on March 31, 2019;
2. fix the number of directors at three (3);
3. elect directors for the ensuing year;
4. appoint Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, as auditor of the Corporation for the ensuing year and authorize the directors to determine the remuneration to be paid to the auditor;
5. approve the Corporation’s stock option plan, as required annually by the policies of the TSX Venture Exchange;
6. transact such other business as may properly be put before the Meeting.

All Shareholders are entitled to attend and vote at the Meeting in person or by proxy. The Board of Directors (the “**Board**”) requests that all shareholders (the “**Shareholders**”) who will not be attending the Meeting in person read, date and sign the accompanying proxy and deliver it to Computershare Investor Services Inc. (the “**Computershare**”). If a Shareholder does not deliver a proxy to Computershare, Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, by **10:00 a.m.** (Halifax, Nova Scotia time) on **Wednesday, September 25, 2019** (or prior to 48 hours excluding Saturdays, Sundays and holidays, before any adjournment of the meeting at which the proxy is to be used) then the shareholder will not be entitled to vote at the Meeting by proxy. Only Shareholders of record at the close of business on **Friday, August 23, 2019** will be entitled to vote at the Meeting.

An information circular and a form of proxy accompanying this notice.

DATED at Halifax, Nova Scotia, the **23<sup>rd</sup>** day of **August, 2019**.

### ON BEHALF OF THE BOARD

**Signed:** “*Troy Grant*”

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Troy Grant,  
President, Chief Executive Officer

# ELCORA ADVANCED MATERIALS CORP.

111 Ahmadi Crescent  
Bedford, Nova Scotia  
B4A 4E5

## INFORMATION CIRCULAR

(as at August 23, 2019 except as otherwise indicated)

This information circular (the “**Circular**”) is provided in connection with the solicitation of proxies by Management of Elcora Advanced Materials Corp. (the “**Corporation**”). The form of proxy which accompanies this Circular (the “**Proxy**”) is for use at the annual general meeting of the Shareholders of the Corporation to be held on **Friday, September 27, 2019** (the “**Meeting**”), at the time and place set out in the accompanying notice of Meeting (the “**Notice of Meeting**”). The Corporation will bear the cost of this solicitation. The solicitation will be made by mail, but may also be made by telephone.

### **PART 1 – APPOINTMENT AND REVOCATION OF PROXY**

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The persons named in the Proxy are directors and/or officers of the Corporation. **A registered shareholder who wishes to appoint some other person to serve as their representative at the Meeting may do so by striking out the printed names and inserting the desired person’s name in the blank space provided.** The completed Proxy should be delivered to Computershare Investor Services Inc. (“**Computershare**”) by **10:00 a.m.** (Halifax, Nova Scotia time) on **Wednesday, September 25, 2019**, or prior to 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting at which the Proxy is to be used.

The Proxy may be revoked by:

- (a) signing a proxy with a later date and delivering it at the time and place noted above;
- (b) signing and dating a written notice of revocation and delivering it to Computershare, or by transmitting a revocation by telephonic or electronic means, to Computershare, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the Proxy is to be used, or delivering a written notice of revocation and delivering it to the Chairman of the Meeting on the day of the Meeting or adjournment of it; or
- (c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

### **Provisions Relating to Voting of Proxies**

**The shares represented by Proxy in the form provided to Shareholders will be voted or withheld from voting by the designated holder in accordance with the direction of the registered shareholder appointing him. If there is no direction by the registered shareholder, those shares will be voted for all proposals set out in the Proxy and for the election of directors and the appointment of the auditors as set out in this Circular. The Proxy gives the person named in it the discretion to vote as such person sees fit on any amendments or variations to matters identified in the Notice of Meeting, or any other matters which may properly come before the Meeting. At the time of printing of this Circular, the management of the Corporation (the**

**“Management”) knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.**

#### **Advice to Beneficial Holders of Common Shares**

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold common shares in their own name.** Shareholders who hold their common shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their common shares in their own name (referred to herein as **“Beneficial Shareholders”**) should note that only proxies deposited by Shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of common shares will be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those common shares will, in all likelihood, not be registered in the shareholder’s name. Such common shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such common shares are registered under the name of Cede & Co., the registration name for The Depository Trust Corporation, which acts as nominee for many United States brokerage firms. Common shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. The form of instrument of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (**“Broadridge”**) in Canada. Broadridge typically prepares a machine-readable voting instruction form (**“VIF”**), mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote common shares directly at the Meeting. The VIFs must be returned to Broadridge (or instructions respecting the voting of common shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the common shares voted. If you have any questions respecting the voting of common shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

The Notice of Meeting, Circular, Proxy and VIF, as applicable, are being provided to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories - those who object to their identity being known to the issuers of securities which they own (**“OBOs”**) and those who do not object to their identity being made known to the issuers of the securities which they own (**“NOBOs”**). Subject to the provisions of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**“NI 54-101”**), issuers may request and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials directly (not via Broadridge) to such NOBOs. If you are a Beneficial Shareholder and the Corporation or its agent has sent these materials

directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

Pursuant to the provisions of NI 54-101, the Corporation is providing the Notice of Meeting, Circular and Proxy or VIF, as applicable, to both registered owners of the securities and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding common shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the VIF. As a result, if you are a non-registered owner of the securities, you can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided or by facsimile. In addition, telephone voting and internet voting instructions can be found on the VIF. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the common shares represented by the VIFs they receive.

The Corporation's OBOs can expect to be contacted by Broadridge or their brokers or their broker's agents as set out above. The Corporation does not intend to pay for intermediaries to deliver the Notice of Meeting, Circular and VIF to OBOs and accordingly, if the OBO's intermediary does not assume the costs of delivery of those documents in the event that the OBO wishes to receive them, the OBO may not receive the documentation.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. NI 54-101 allows a Beneficial Shareholder who is a NOBO to submit to the Corporation or an applicable intermediary any document in writing that requests that the NOBO or a nominee of the NOBO be appointed as the NOBO's proxyholder. If such a request is received, the Corporation or an intermediary, as applicable, must arrange, without expenses to the NOBO, to appoint such NOBO or its nominee as a proxyholder and to deposit that proxy within the time specified in this Circular, provided that the Corporation or the intermediary receives such written instructions from the NOBO at least one business day prior to the time by which proxies are to be submitted at the Meeting, with the result that such a written request must be received by 10:00 a.m. (Halifax, Nova Scotia time) on the day which is at least three business days prior to the Meeting. **A Beneficial Shareholder who wishes to attend the Meeting and to vote their common shares as proxyholder for the registered shareholder, should enter their own name in the blank space on the VIF or such other document in writing that requests that the NOBO or a nominee of the NOBO be appointed as proxyholder and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

Additionally, NI 54-101 allows a Beneficial Shareholder who is a NOBO to submit to the Corporation or an applicable intermediary any document in writing that requests that the NOBO or a nominee of the NOBO be appointed as the NOBO's proxyholder. If such a request is received, the Corporation or an intermediary, as applicable, must arrange, without expenses to the NOBO, to appoint such NOBO or its nominee as a proxyholder and to deposit that proxy within the time specified in this Circular, provided that the Corporation or the intermediary receives such written instructions from the NOBO at least one business day prior to the time by which proxies are to be submitted at the Meeting, with the result that such a written request must be received by 10:00 a.m. (Vancouver time) on the day which is at least three business days prior to the Meeting.

All references to Shareholders in the Notice of Meeting, Circular and the accompanying Proxy are to registered Shareholders of the Corporation as set forth on the list of registered Shareholders of the Corporation as maintained by the registrar and transfer agent of the Corporation, Computershare, unless specifically stated otherwise.

## **PART 2 – VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

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As at the date of the accompanying Notice of Meeting, the Corporation's authorized capital consists of an unlimited number of common shares of which **86,493,313** common shares are issued and outstanding. All common shares in the authorised share structure of the Corporation carry the right to one vote.

Shareholders registered as at **August 23, 2019**, are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

To the knowledge of the directors and executive officers of the Company, the only persons who, or corporations which, beneficially own, or control or direct, directly or indirectly, shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company are:

<b>Name of Shareholder</b>	<b>Number of Shares Owned</b>	<b>Percentage of Outstanding Shares</b> (1)
CDS & Co (3)	72,972,493 (2)	84.37%

### **Notes:**

- (1) Based on **86,493,313** of the Company's issued and outstanding as of the date of this Information Circular.
- (2) CDS & Co is a share depository, the beneficial ownership of which is unknown to the Company.
- (3) The above information was supplied by the Transfer Agent, as of the record date.

## **PART 3 – BUSINESS OF THE MEETING**

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### **Financial Statements**

The audited financial statements of the Corporation for the year ended **March 31, 2019**, together with the auditor's report on those statements and Management Discussion and Analysis, will be presented to the Shareholders at the Meeting.

### **Election of Directors**

The directors of the Corporation are elected annually and hold office until the next annual general meeting of the Shareholders or until their successors are elected or appointed. Management proposes to nominate the persons listed below for election as directors of the Corporation to serve until their successors are elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by Management will be voted for the nominees listed in this Circular. Management does not contemplate that any of the nominees will be unable to serve as a director. Shareholders will be asked at the Meeting to pass an ordinary resolution to set the number of directors for the ensuing year at three.

The following table on the next page sets out the names of the nominees for election as directors, the offices they hold within the Corporation, their occupations, the length of time they have served as directors of the Corporation, and the number of securities of the Corporation which each beneficially owns, directly or indirectly, or over which control or direction is exercised, as of the date of this Circular.

Name, province or state and country of residence and position, if any, held in the Corporation	Principal occupation during the past five years	Served as director of the Corporation since	Number of common shares of the Corporation beneficially owned, directly or indirectly, or controlled or directed at present <sup>(1)</sup>	Number of convertible securities of the Corporation beneficially owned, directly or indirectly, or controlled or directed at present <sup>(1)</sup>
<b>Troy Grant<sup>(2)</sup></b> Nova Scotia, Canada  <i>President,                      Chief Executive Officer, and Director</i>	Businessman	June 2011	3,891,533 Common Shares	2,965,000 Options  1,891,533 Warrants
<b>Johannes (Theo) van der Linde<sup>(2)</sup></b> British Columbia, Canada  <i>Chief Financial Officer and Director</i>	Chartered Accountant	October 2012	777,143 Common Shares	1,760,000 Options  273,810 Warrants
<b>Denis Choquette<sup>(2)</sup></b> Quebec, Canada  <i>Director</i>	President, GTR Capital	April 2015	2,790,413 Common Shares	1,750,000 Options  2,120,751 Warrants

**Notes:**

- (1) The information as to securities beneficially owned or controlled has been provided by the nominees themselves.  
 (2) A member of the Audit Committee.

No proposed director is being elected under any arrangement or understanding between the proposed director and any other person or Corporation except the directors and executive officers of the Corporation acting solely in such capacity.

**Appointment of Auditor**

At the Meeting, Shareholders will be asked to pass a resolution appointing Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants of Suite 1500 – 1140 West Pender Street, Vancouver, British Columbia, Canada V6E 4G1, as the auditor of the Corporation, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. Dale Matheson Carr Hilton LaBonte LLP, Chartered Accountants was appointed as the Corporation’s auditor effective March 9, 2018.

The Corporation’s management recommends that the Shareholders vote in favour of the re-appointment of Dale Matheson Carr Hilton LaBonte LLP, Chartered Accountants, as the Corporation’s auditor for the ensuing year and grant the Board of Directors the authority to determine the remuneration to be paid to the auditor. **Unless you give instructions otherwise, the Management Proxyholders intend to vote FOR the re-appointment of Dale Matheson Carr Hilton LaBonte LLP, Chartered Accountants, to act as the Corporation’s auditor until the close of its next annual general meeting and also intend to vote FOR the proposed resolution to authorize the Board of Directors to fix the remuneration to be paid to the auditor.**

## **Approval of the 2019 Stock Option Incentive Plan**

At the Meeting, shareholders will be asked to consider and, if thought advisable, to pass, by way of an ordinary resolution, approval of the Corporation's 2019 Stock Option Plan (the "**Stock Option Plan**"). A summary of the material provisions of the Stock Option Plan is set forth below. A copy of the Stock Option Plan will be made available at the Meeting upon request.

### ***Summary of the 2019 Stock Option Incentive Plan***

The Stock Option Plan has been prepared by the Corporation in accordance with the policies of the TSX Venture Exchange ( the "**Exchange**") and is in the form of a 'rolling' stock option plan reserving for issuance upon the exercise of options granted pursuant to the Stock Option Plan a maximum of 10% of the issued and outstanding shares of the Corporation at any time, less any shares required to be reserved with respect to options granted by the Corporation prior to the implementation of the Stock Option Plan. The Stock Option Plan is administered by the Board of Directors of the Corporation. Subject to the provisions of the Stock Option Plan, the directors in their sole discretion will determine all options to be granted pursuant to the Stock Option Plan, the exercise price therefore and any special terms or vesting provisions applicable thereto. The directors will comply with all Exchange and other regulatory requirements in granting options and otherwise administering the Stock Option Plan. A summary of some of the additional provisions of the Stock Option Plan are as follows:

- (i) options granted to directors, officers, employees and consultants of the Corporation as a total in any twelve-month period shall not exceed 10% of the issued and outstanding shares of the Corporation;
- (ii) options granted to any one individual Director or Officer as a total in any twelve-month period shall not exceed 5% of the issued and outstanding shares of the Corporation;
- (iii) options granted to any one individual Consultant to the Corporation as a total in any twelve-month period shall not exceed 2% of the issued and outstanding shares of the Corporation;
- (iv) options granted to all employees, consultants and their associates engaged in investor relations activities for the Corporation in aggregate in any twelve-month period shall not exceed 2% of the issued and outstanding shares of the Corporation;
- (v) options granted shall be non-assignable and not transferable and shall not have a term in excess of ten years;
- (vi) the exercise price of options granted shall not be less than the closing price of the Corporation's shares on the last trading day less any discount permitted by the Exchange, but, in any event, not less than \$0.10 per share;
- (vii) all options granted shall be evidenced by written option agreements; and
- (viii) any amendment to reduce the exercise price of options granted to insiders of the Corporation shall be subject to approval of the disinterested shareholders of the Corporation, the majority vote of the Shareholders other than the insiders of the Corporation.

The Company granted a total of 3,700,000 stock options during the year ended March 31, 2019. As at March 31, 2019, there were a total of 8,620,000 stock options outstanding under the Stock Option Plan.

The Shareholders of the Company will be asked to approve the following resolution (the “Stock Option Plan Resolution”) at the Meeting:

**“BE IT RESOLVED THAT:**

1. the Corporation’s Stock Option Plan, as described in the Management Information Circular of the Corporation dated August 23, 2019 be and it is hereby approved and re-confirmed, including the reservation for issuance under the Stock Option Plan at any time of a maximum of 10% of the then issued and outstanding shares of the Corporation, in accordance with the policies of the Canadian Securities Exchange (the “Exchange”);
2. the Corporation be and is hereby authorized to make such amendments, if any, to the Stock Option Plan, as may be requested by the Exchange in order that the Stock Option Plan complies with applicable policies of the Exchange; and
3. any one director or officer of the Corporation be and are hereby authorized and directed to make all such filings, cause all such documents, instruments and other writings to be executed and delivered and to cause all such acts and things to be done, all for and on behalf of the Corporation, as the Board may consider necessary or desirable to give effect to the foregoing resolution.”

The Corporation’s management believes that the approval of the Stock Option Plan is in the best interest of the Corporation and recommends that Shareholders of the Corporation vote in favour of approving the Stock Option Plan. **Unless you give instructions otherwise, the Management Proxyholders intend to vote FOR the Stock Option Plan Resolution.**

**General Matters**

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting, but if any other matters do arise, the person named in the Proxy intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

**PART 4 – EXECUTIVE COMPENSATION**

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**General**

For the purpose of this Statement of Executive Compensation:

**“Corporation”** means Elcora Advanced Materials Corp.;

**“compensation securities”** includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Corporation or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Corporation or any of its subsidiaries;

**“external management Corporation”** includes a subsidiary, affiliate or associate of the external management Corporation;

**“NEO”** or **“named executive officer”** means each of the following individuals:



**Notes:**

- (1) Represents consulting fees paid and/or accrued to 3063625 NS Ltd., a company wholly owned by Mr. Grant.
- (2) Represents consulting fees paid and/or accrued to Executive Management Solutions Ltd., a company wholly owned by Mr. van der Linde.

***External Management Corporation***

Please refer to the section – ***Employment, Consulting and Management Agreements*** which follows herein.

***Stock Options and Other Compensation Securities***

The following table sets out all compensation securities granted or issued to each director and NEO by the Company or any subsidiary thereof in the year ended March 31, 2019, for services provided, or to be provided directly or indirectly, to the Company or any subsidiary thereof:

<b>Compensation Securities</b>							
<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities, number of underlying securities, and percentage of class</b>	<b>Date of issue or grant</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$)</b>	<b>Closing price of security or underlying security at March 31, 2019 (\$)</b>	<b>Expiry date</b>
<b>Troy Grant</b> <i>President, CEO &amp; Director</i>	Stock Options	850,000/ 850,000 Common shares  0.98%	Feb 5, 2019	\$0.08	\$0.095	\$0.12	Feb 5, 2024
<b>Theo van der Linde</b> <i>CFO &amp; Director</i>	Stock Options	750,000/ 750,000 Common shares  0.87%	Feb 5, 2019	\$0.08	\$0.095	\$0.12	Feb 5, 2024
<b>Denis Choquette</b> <i>Director</i>	Stock Options	750,000/ 750,000 Common shares  0.87%	Feb 5, 2019	\$0.08	\$0.095	\$0.12	Feb 5, 2024

***Exercise of Compensation Securities by Directors and NEOs***

There were no compensation securities exercised by a director or NEO during the financial year ended March 31, 2019.

### ***Stock Option Plans and Other Incentive Plans***

The Stock Option Plan has been prepared by the Corporation in accordance with the policies of the TSX Venture Exchange ( the “**Exchange**”) and is in the form of a ‘rolling’ stock option plan reserving for issuance upon the exercise of options granted pursuant to the Stock Option Plan a maximum of 10% of the issued and outstanding shares of the Corporation at any time, less any shares required to be reserved with respect to options granted by the Corporation prior to the implementation of the Stock Option Plan. The Stock Option Plan is administered by the Board of Directors of the Corporation.

The Plan is administered by the Board of Directors and enables the Corporation and provides for grants of options to directors, senior officers, employees, consultants, consultant Corporation or management Corporation employees of the Corporation at the discretion of the Board. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed five (5) years. The exercise price of options granted under the Plan will be determined by the Board of Directors, but the exercise price shall not be less than the discounted market price on the grant date. Any options granted pursuant to the Plan will terminate ninety (90) days (thirty (30) days if the Optionee was engaged in Investor Relations Activities) after the option holder ceasing to act as a directors, senior officers, employees, consultants, consultant Corporation or management Corporation employees of the Corporation or any of its affiliates, unless such cessation is on account of death, disability or termination of employment with cause). If such cessation is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, the options terminate immediately. The Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Corporation’s shares. The directors of the Corporation may, at its discretion at the time of any grant, impose a schedule over which period of time the option will vest and become exercisable by the optionee.

Subject to the approval of any stock exchanges or any other regulatory body having authority over the Corporation or the Plan, the Board may from time to time suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or any of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuation shall in any manner adversely affect any option previously granted to an Optionee under the Plan without the consent of that Optionee. Any amendments to the Plan or options granted thereunder will be subject to the approval of the Shareholders.

### ***Employment, consulting and management agreements***

3063625 NS Ltd. (the “**3063625**”) is a private Company wholly-owned by Troy Grant, President and CEO of the Corporation. 3063625 provides consulting services for the Corporation.

The Corporation entered into an employment agreement with Troy Grant effective April 1, 2015, (the “Grant Agreement”) with regards to his employment as the President and Chief Executive Officer of the Corporation. The agreement is for an indefinite term, unless earlier terminated, and is reviewed and approved annually by the Board. Pursuant to the Grant Agreement, the Corporation has agreed to pay Mr. Grant an annual salary of \$250,000 and Mr. Grant is eligible to receive an annual bonus and / or such other monetary incentive programs as may be established by the Corporation from time to time and at the discretion of the Board

Pursuant to the agreement, 3063625 is entitled to three months’ notice as well as equivalent of two times 3063625’s prorated annual fee as well as vesting of all common stock, options and cash bonus in the event of termination without cause. In the event that 3063625 resigns for “Good Cause” following a “Change of Control” (as those terms are defined in the applicable consulting agreement), they will be entitled to two times the annual pro-rated fee paid as well as vesting of all common stock, options and cash bonuses.

Executive Management Solutions Limited (the “**EMSL**”) is a private Company wholly-owned by Theo van der Linde, Chief Financial Officer of the Corporation. EMSL provides management consulting services for the Corporation.

The Corporation entered into an employment agreement with EMSL and Theo van der Linde effective April 1, 2016 (the “**van der Linde Agreement**”) with regards to his employment as the Chief Financial Officer of the Corporation. The agreement is for an indefinite term, unless earlier terminated, and is reviewed and approved annually by the Board. Pursuant to the van der Linde Agreement, the Corporation has agreed to pay Mr. van der Linde an annual salary of \$150,000 and Mr. van der Linde is eligible to receive an annual bonus and /or such other monetary incentive programs as may be established by the Corporation from time to time and at the discretion of the Board.

Pursuant to the agreement, EMSL is entitled to three months’ notice as well as equivalent of two times EMSL’s prorated annual fee as well as vesting of all common stock, options and cash bonus in the event of termination without cause.

In the event that EMSL resigns for “Good Cause” following a “Change of Control” (as those terms are defined in the applicable consulting agreement), EMSL will be entitled to two times the annual pro-rated fee paid as well as vesting of all common stock, options and cash bonuses.

Travis Capital Canada Inc. ( “**Travis Capital**”) is a limited liability company which is engaged by the Corporation to provide the services of Denis Choquette, a Director and Chairman of the Company.

The Corporation entered into a management consulting agreement with Travis Capital and Denis Choquette effective April 1, 2017 (the “**Choquette Agreement**”) with regards to Mr. Choquette’s appointment as Director and Chairman of the Corporation. The agreement is for an indefinite term, unless earlier terminated, and is reviewed and approved annually by the Board.

Pursuant to the agreement, Travis Capital is entitled to three months’ notice as well as an equivalent of two times a deemed prorated annual salary of \$180,000, as well as vesting of all common stock, options and cash bonus in the event of termination without cause.

In the event that Mr. Choquette resigns for “Good Reason” following a “Change of Control” (as those terms are defined in the applicable consulting agreement), Mr. Choquette will be entitled to an amount equivalent of two times a deemed prorated annual salary of \$180,000, as well as vesting of all common stock, options and cash bonuses.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination without cause or on termination on a change of control assuming termination as of March 31, 2019.

Name	Termination Without Cause (other than in connection with a Change of Control)	Resignation for Good Reason Following a Change of Control
Troy Grant President and CEO	\$500,000 <sup>(1)</sup>	\$500,000 <sup>(1)</sup>
Theo van der Linde CFO	\$300,000 <sup>(2)</sup>	\$300,000 <sup>(2)</sup>

**Notes:**

- (1) Represents two year' fees based on Mr. Grant's 2019 annual fees of \$250,000. Figures are rounded.
- (2) Represents two years' fees based on Mr. van der Linde's 2019 annual fees of \$150,000. Figures are rounded.

Except as disclosed above, the Corporation and its subsidiaries have no other compensatory plan, contract or arrangement where a NEO is entitled to receive more than \$50,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the NEO's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the NEO following a change in control.

**Oversight and description of director and named executive officer compensation**

The Board of Directors (the "**Board**") compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility. In general, a NEO's compensation is comprised of contractor payments and stock option grants.

The objectives and reasons for this system of compensation are generally to allow the Corporation to remain competitive compared to its peers in attracting and retaining experienced personnel. All salaries and/or consulting fees are to be set on a basis of a review and comparison of compensation paid to executives at similar companies.

The Board has not proceeded to a formal evaluation of the implications of the risks associated with the Corporation's compensation policies and practices. Risk management is a consideration of the Board when implementing its compensation program, and the Board does not believe that the Corporation's compensation program results in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Corporation.

The Corporation's NEOs and directors are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

***Pension disclosure***

The Corporation does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

**PART 5 – AUDIT COMMITTEE**

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The Corporation is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Corporation or an affiliate of the Corporation.

**Audit Committee Charter**

The text of the audit committee's charter is attached as **Schedule "A"** to this Circular.

**Composition of Audit Committee and Independence**

The Corporation's current Audit Committee consists of Troy Grant, Denis Choquette and Theo van der Linde.

National Instrument 52-110 *Audit Committees*, (“**NI 52-110**”) provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Corporation’s Board, reasonably interfere with the exercise of the member’s independent judgment. Of the Corporation’s current audit committee members, Denis Choquette is “independent” within the meaning of NI 52-110. Troy Grant is not considered “independent” as he is the President and CEO of the Corporation. Theo van der Linde is not “independent” as he is the Chief Financial Officer of the Corporation.

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. All of the members of the Corporation’s audit committee are financially literate as that term is defined. The following sets out the members of the audit committee and their education and experience that is relevant to the performance of his responsibilities as an audit committee member.

### **Relevant Education and Experience**

The relevant education and/or experience of each member of the Audit Committee is as follows:

#### **Troy Grant**

Mr. Troy Grant is a graduate of St. Francis Xavier University with a Bachelor of Business and has spent most of his working career in the brokerage business. As a result of his business and public Corporation experience Mr. Grant has become familiar with public Corporation financial statements and the accounting principles used in reading and preparing financial statements.

#### **Denis Choquette**

Mr. Denis Choquette has twenty-five years' experience in the high technology, industrial and finance business, including tenures at IBM, AT&T and Bombardier. Before founding GTR Capital, he was as Vice President and General Manager at Bombardier where he formed a very successful high technology finance division. As a founding partner of GTR Capital, Mr. Choquette has provided mergers and acquisitions services to its clients throughout North America, Europe and Asia. Mr. Choquette also has a leading role in strategy & business development at Fayolle Canada Inc. which is one of the fastest growing construction companies in Canada. Mr. Choquette has become very familiar with public Corporation financial statements and the accounting principles used in reading and preparing financial statement during his 25 years' experience in said executive roles.

#### **Theo van der Linde**

Mr. van der Linde is a Chartered Accountant with 20 years extensive finance, administration and public accounting experience in diverse industries including mining, oil & gas, financial services, insurance, manufacturing and retail.

### **Audit Committee Oversight**

Since the commencement of the Corporation’s most recently completed financial year, the audit committee of the Corporation has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board of the Corporation.

### Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

### Pre-Approval Policies and Procedures

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services.

### External Auditors Service Fees

In the following table, "Audit Fees" are fees billed by the Corporation's external auditors for services provided in auditing the Corporation's annual financial statements for the subject year. "Audit-related Fees" are fees not included in audit fees that are billed by the auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements. "Tax Fees" are billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning. "All Other Fees" are fees billed by the auditors for products and services not included in the foregoing categories.

The fees paid by the Corporation to its auditors in each of the last two financial years, by category, are as follows:

	Financial Year Ending March 31	Audit Fees <sup>(1)</sup>	Audit-related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
Dale Matheson Carr Hilton LaBonte LLP, Chartered Professional Accountant	2019	27,000	Nil	1,500	Nil
Dale Matheson Carr Hilton LaBonte LLP, Chartered Professional Accountant <sup>(5)</sup>	2018	28,000	Nil	3,000	Nil

#### Notes:

- (1) "Audit fees" include aggregate fees billed by the Corporation's external auditor in each of the last two fiscal years for audit fees.
- (2) "Audited related fees" include the aggregate fees billed in each of the last two fiscal years for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit fees" above. The services provided include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax fees" include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning. The services provided include tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All other fees" include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Corporation's external auditor, other than "Audit fees", "Audit related fees" and "Tax fees" above.
- (5) PricewaterhouseCoopers LLP Chartered Professional Accountants was asked to resign as auditor of the Company, effective March 9, 2018 to facilitate the appointment of Dale Matheson Carr Hilton LaBonte LLP, Chartered Professional Accountants at Suite 1500 – 1140 West Pender Street, Vancouver, B.C., V6E 4G1.

### **Exemption in Section 6.1**

The Corporation is a “venture issuer” as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

## **PART 6 – CORPORATE GOVERNANCE**

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National Instrument 58-101, *Disclosure of Corporate Governance Practices*, requires all reporting issuers to provide certain annual disclosure of their corporate governance practices with respect to the corporate governance guidelines (the “**Guidelines**”) adopted in National Policy 58-201. These Guidelines are not prescriptive, but have been used by the Corporation in adopting its corporate governance practices. The Board and senior management of the Corporation consider good corporate governance to be an integral part of the effective and efficient operation of Canadian corporations. The Corporation’s approach to corporate governance is set out below.

### **Board of Directors**

Management is nominating three individuals to the Corporation’s Board, all of whom are current directors of the Corporation.

The Guidelines suggest that the Board of every reporting issuer should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Corporation. The “material relationship” is defined as a relationship which could, in the view of the Corporation’s Board, reasonably interfere with the exercise of a director’s independent judgement. Denis Choquette is considered “independent” within the meaning of NI 52-110. Troy Grant, who is the President, CEO of the Corporation and Theo van der Linde, who is the CFO of the Corporation, are not considered “independent” of the Corporation. Following the annual general meeting, the Corporation will endeavor to appoint additional independent directors to the Board.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the Corporation, provide leadership and direction to Management, evaluate Management, set policies appropriate for the business of the Corporation and approve corporate strategies and goals. The day-to-day management of the business and affairs of the Corporation is delegated by the Board to the CEO. The Board will give direction and guidance through the CEO to Management and will keep Management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the Shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee and appoints the chairperson of the Audit Committee. The Board establishes and periodically reviews and updates the committee mandates, duties and responsibilities of the committee of the Board, elects a chairperson of the Board and establishes his or her duties and responsibilities, appoints the CEO, CFO and President of the Corporation and establishes the duties and responsibilities of those positions and on the recommendation of the CEO and President, appoints the senior officers of the Corporation and approves the senior Management structure of the Corporation.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Corporation are subject to prior approval of the Board. The Board shall meet not less than three times during each year and will endeavour to hold at least one meeting in each fiscal quarter. The Board will also meet at any other time at the call of the CEO, or subject to the Articles of the Corporation, of any director.

The mandate of the Board, as prescribed by the Canada *Business Corporations Act*, is to manage or supervise

management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation. In doing so, the Board oversees the management of the Corporation's affairs directly and through its committees.

### Directorships

The following directors of the Corporation are also directors of other reporting issuers as stated:

Name of Director	Other reporting issuer (or equivalent in a foreign jurisdiction)
Troy Grant	Auxly Cannabis Group Inc. European Metals Corp. Black Ise Resources Corporation Resinco Capital Partners Inc.
Theo van der Linde	Metaverse Capital Corp. Slam Exploration Ltd. Tidal Royalty Corp. Organic Flower Investments Group Inc.
Denis Choquette	N/A

### Orientation and Continuing Education

The Board's practice is to recruit for the Board only persons with extensive experience in the mining and mining exploration business and in public Corporation matters. Prospective new board members are provided a reasonably detailed level of background information, verbal and documentary, on the Corporation's affairs and plans prior to obtaining their consent to act as a director.

The Board provides training courses to the directors as needed, to ensure that the Board is complying with current legislative and business requirements

### Ethical Business Conduct

The Board encourages and promotes a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, the Board has adopted a Corporate Conduct and Code of Ethics Policy (the "Code") to be followed by the Corporation's directors, officers, employees and principal consultants and those of its subsidiaries. The Code is also to be followed, where appropriate, by the Corporation's agents and representatives, including consultants where specifically required. The purpose of the Code is to, among other things, promote honest and ethical conduct, avoid conflict of interest, protect confidential information and comply with the applicable government laws and securities rules and regulations.

### Nomination of Directors

The Board identifies new candidates for board nomination by an informal process of discussion and consensus-building on the need for additional directors, the specific attributes being sought, likely prospects, and timing. Prospective directors are not approached until consensus is reached. This process takes place among the Chairman and a majority of the non-executive directors.

## **Other Board Committees**

At the present time, the only standing committee is the Audit Committee. As the Corporation grows, and its operations and management structure became more complex, the Board expects it will constitute more formal standing committees, such as a Corporate Governance Committee, and a Compensation Committee and a Nominating Committee.

## **Assessments**

The Board annually reviews its own performance and effectiveness as well as the effectiveness and performance of its committees. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of individual directors are informally monitored by other Board members, bearing in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board monitors the adequacy of information given to directors, communication between Board and Management and the strategic direction and processes of the Board and its committees.

The Board believes its corporate governance practices are appropriate and effective for the Corporation, given its size and operations. The Corporation's corporate governance practices allow the Corporation to operate efficiently, with checks and balances that control and monitor Management and corporate functions without excessive administration burden.

## **PART 7 – OTHER INFORMATION**

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### **Corporate Cease Trade Orders or Bankruptcies**

No director or proposed director of the Corporation is, or within the ten years prior to the date of this Circular has been, a director or executive officer of any Corporation, including the Corporation, that while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the Corporation access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director ceased to be a director or executive officer of the Corporation being the subject of a cease trade order or similar order or an order that denied the relevant Corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Individual Bankruptcies**

No director or proposed director of the Corporation has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Penalties or Sanctions**

None of the proposed directors have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable security holder making a decision about whether to vote for the proposed director.

### **Indebtedness of Directors and Executive Officers**

None of the current or former directors, executive officers, employees of the Corporation, the proposed nominees for election to the Board, or their respective associates or affiliates, are or have been indebted to the Corporation since the beginning of the last completed financial year of the Corporation.

### **Interest of Certain Persons Or Companies in Matters To Be Acted Upon**

No director or executive officer of the Corporation or any proposed nominee of Management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Corporation's last financial year in matters to be acted upon at the Meeting, other than the election of directors, the appointment of auditors and the confirmation of the Stock Option Plan.

### **Interest Of Informed Persons In Material Transactions**

None of the persons who were directors or executive officers of the Corporation or a subsidiary at any time during the Corporation's last completed financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding common shares of the Corporation, nor the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation.

### **Management Contracts**

Other than as disclosed elsewhere in this Circular, no Management functions of the Corporation are to any substantial degree performed by a person or company other than the directors or NEOs of the Corporation.

### **Additional Information**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Corporation is provided in the Corporation's comparative annual financial statements to March 31, 2019, a copy of which, together with Management's Discussion and Analysis thereon, can be found on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). Additional financial information concerning the Corporation may be obtained by any securityholder of the Corporation free of charge by contacting the Corporation, at 111 Ahmadi Crescent, Bedford, Nova Scotia, B4A 4E5 or by telephone at (902) 802-8847.

**Board Approval**

The contents of this Circular have been approved and its mailing authorized by the directors of the Corporation.

DATED at Halifax, Nova Scotia, the 23<sup>rd</sup> day of **August, 2019**.

**ON BEHALF OF THE BOARD**

**Signed:** *"Troy Grant"*

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Troy Grant,  
President, Chief Executive Officer

**ELCORA ADVANCED MATERIALS CORP.**

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**Schedule "A"**  
**Audit Committee Charter**

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**(SEE ATTACHED)**

## Charter of the Audit Committee of the Board of Directors

### Elcora Advanced Materials Corp.

An audit committee (the “**Committee**”) of the board of directors (the “**Board**”) of Elcora Advanced Materials Corp. (the “**Corporation**”) has been established by resolution of the Board. It shall be composed of not less than three directors of the Corporation, all of whom are not officers or employees of the Corporation or any of its affiliates. One member of the Committee shall be appointed by the Board to be the Committee’s chairman, provided that the chairman shall at all times be an independent director. All members of the Committee shall satisfy the independence and qualification requirement under Multilateral Instrument 52-110 Audit Committees and any requirement of any stock exchange on which the shares of the Corporation are listed and posted for trading.

The Committee’s general responsibilities shall be to advise and assist the Board in fulfilling its financial responsibilities for the Corporation by monitoring all of the integrity of the Corporation’s financial statements, financial and accounting practices, internal controls, performance of internal and external auditors, independence and qualification of external auditors, business ethics, and compliance with all laws, regulations and policies that may have an impact on the consolidated financial statements of the Corporation. The Committee shall oversee these areas for the Corporation, all of its controlled subsidiaries and affiliates, and to the extent practicable, for subsidiaries and affiliates, if any, that the Corporation does not control, if any. The Committee shall be directly responsible for the appointment, replacement, compensation and oversight of the external auditor and the external auditor shall report directly to the Committee.

#### **Concerning the External Auditor**

- A. The Committee’s specific responsibilities concerning the external auditor shall be to:
1. Recommend to the Board each year both the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, and the compensation to be paid to the external auditor;
  2. Review, evaluate and satisfy itself as to the independence, qualifications, and performance of the Corporation’s external auditor including:
    - a) reviewing formal written statements submitted periodically by the external auditor delineating all relationships between themselves and the Corporation;
    - b) discussing with the external auditor any disclosed relationships or services that may impact their objectivity and independence;
    - c) reviewing not less than once per year the external auditor’s quality control procedures including any material issues raised by internal quality control, peer reviews, inquiries or investigations by governmental or professional authorities, and the steps to be taken to address such issues;
    - d) reviewing and evaluating the lead partner of the external auditor; and
    - e) assuring the regular rotation of the lead audit partner as may be considered either necessary or advisable.
  3. Recommend to the Board the results of such evaluation of the external auditor and any action the Committee deems appropriate based on the evaluation, including considering whether, to assure continuing auditor independence, there should be a regular rotation of the audit firm itself;

4. Review and act upon reports by the external auditor including the external audit, the terms of engagement and compensation of the external auditor, and pre-approve all audit and non-audit services to be provided by the external auditor. Any such pre-approval may be delegated by the Committee to any member of the Committee;
5. Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
6. Review and approve of the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditors.

**Concerning the Corporation's Financial Matters:**

- B. The Committee's specific responsibilities concerning the Corporation's Financial Matters shall be to:
  1. Monitor and review from time to time, but not less than once annually, the Corporation's:
    - a) internal financial controls and internal audit functions;
    - b) appointment and/or replacement of the chief financial officer, the senior internal auditor and any key executives involved in the Corporation's financial reporting process;
    - c) policies on risk assessment and risk management, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures;
    - d) compliance with securities laws, regulations and policies concerning the Corporation's financial statements, audits and public disclosure;
    - e) compliance with tax laws, regulations and policies concerning the Corporation;
    - f) expense reimbursements paid to the Chairman of the Board, the Chief executive Officer, the chief Financial Officer and such other directors or senior officers as the committee may deem appropriate and;
    - g) charter for the Committee and perform an annual evaluation of the Committee's performance

all in consultation with the Corporation's senior internal auditor, the external auditor and such other advisors and the Committee may select.

2. Hold regularly scheduled meetings with management, the senior internal auditor, and the external auditor and keep minutes of all such meetings;
3. Review and discuss with management and the external auditor:
  - a) the Corporation's audited financial statements, interim financial statements and "Management Discussion and Analysis" before approval by the Board or public disclosure;
  - b) reports from the Corporation's internal auditor and management's response;

- c) the types of information to be disclosed and the types of presentation to be made in connection with the Corporation's earnings press releases and financial information and guidance provided to analysts and rating agencies (if any); and
  - d) any proposed related party transactions involving the Corporation before approval by the Board or public disclosure.
4. Discuss with management and the external auditor any significant financial reporting, accounting and audit issues and judgments (including reports or analysis rendered by management or the external auditor in connection with the Corporation's financial statements) pertinent to the preparation of the Corporation's financial statements (including the quality of the Corporation's accounting principles, any audit problems or difficulties, any significant changes in the Corporation's selection or application of accounting principles, any off-balance sheet structures, and special audit steps adopted or taken in light of material control deficiencies, any major disputes between management and the external auditor);
5. Establish procedures for:
- a) reviewing all of the Corporation's public disclosure of audited or unaudited financial information extracted or derived from the Corporation's financial statements;
  - b) receipt, retention or treatment of complaints received by the corporation regarding accounting, internal accounting controls or auditing matters, and
  - c) confidential, anonymous submission by any of the Corporation's employees of concerns regarding
  - d) questionable accounting or auditing matters;
  - e) and to periodically re-assess those procedures;

#### **Advising the Board**

- C. The Committee's specific responsibilities concerning advising the Board shall be to:
- 1. Review and consider:
    - a) Major changes and questions of choice respecting appropriate accounting principles and auditing standards to be used in preparing and presenting the Corporation's financial statements; and
    - b) Legal, accounting and regulatory matters (including initiatives) that may have a material impact on the Corporation's reporting obligations, financial statements, conflicts of interest and general business ethics;
  - 2. Review reports from the Corporation's internal or external auditors and legal counsel (either that represent or have represented the Corporation) about any credible evidence of material violations of securities laws or material breach of duty by the Corporation, any member of the Board or any officer, employee or agent of the Corporation; and

3. Serve as a channel of communication between the external auditor and the Board and between the senior internal auditor and the board, and report regularly to the Board on the Committee's deliberations and actions taken, and any issues that arise concerning the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements, performance and independence of the external auditor, or performance of the internal auditor; and

The Committee has the irrevocable authority to obtain advice and assistance from outside legal, accounting or other such advisors and the Committee deems necessary, appropriate or advisable in its sole discretion, without notice to or approval from the Board. The Corporation shall provide adequate funding to the Committee, as determined by the Committee, for payment of compensation to any external auditor, compensation to any advisor, and ordinary administrative expenses that are necessary or appropriate for carrying out its duties.

The Committee shall fix its own time and place of meetings and shall prescribe its own rules and directors of the Corporation who are not members of the Committee shall attend meetings of the Committee only upon the written invitation of the Chair of the Committee.

#### **Confirmation**

This Charter of the Audit Committee of the Board of Directors made by resolution of the Board of Elcora Advanced Materials Corp. as at the 23<sup>rd</sup> day of August, 2019.

On Behalf of the Board of Directors

Signed: "*Troy Grant*"

Troy Grant, Director

On Behalf of the Audit Committee

Signed: "*Denis Choquette*"

Denis Choquette  
Director



**ELCORA**

Advanced Materials Corp.

**ELCORA ADVANCED MATERIALS CORP.**

**Consolidated Financial Statements**

For the years ended March 31, 2019 and 2018



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

We have audited the consolidated financial statements of Elcora Advanced Materials Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
July 29, 2019

**ELCORA ADVANCED MATERIALS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT ENDED MARCH 31, 2019 AND MARCH 31, 2018**  
**EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2019 \$	March 31, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	579,361	952,375
Investment in marketable securities	10,161	44,367
Accounts receivable (note 9)	11,479	89,949
Prepaid expenses (note 10)	11,270	17,565
	<b>612,271</b>	1,104,256
<b>Non-current assets</b>		
Prepaid expenses (note 10)	-	119,763
Investment in joint venture (note 13)	-	8,003,264
Property and equipment (note 12)	403,730	437,270
<b>Total assets</b>	<b>1,016,001</b>	9,664,553
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	960,544	737,458
Current portion of loan payable (note 15)	103,561	77,367
	<b>1,064,105</b>	814,825
<b>Long-term liabilities</b>		
Loan payable (note 15)	637,671	332,404
<b>Total liabilities</b>	<b>1,701,776</b>	1,147,229
<b>Shareholders' equity</b>		
Share capital (note 17)	16,029,909	15,064,048
Subscriptions received in advance (note 17)	-	1,000,000
Share based payment reserve (note 17)	3,927,516	3,532,531
Foreign currency translation reserve (note 17)	-	(199,667)
Deficit	(20,643,200)	(10,879,588)
<b>Total shareholders' equity</b>	<b>(685,775)</b>	8,517,324
<b>Total liabilities and shareholders' equity</b>	<b>1,016,001</b>	9,664,553

*-See Accompanying Notes-*

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

**Approved on behalf of the Board of Directors on July 29, 2019**

*"Troy Grant"*

Director

*"Denis Choquette"*

Director

**ELCORA ADVANCED MATERIALS CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
**EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2019	March 31, 2018
	\$	\$
<b>Expenses</b>		
Research and development, net of government grants and assistance <i>(note 15)</i>	240,025	238,085
Professional fees	85,583	215,862
General and administrative expenses	62,806	67,606
Depreciation <i>(note 12)</i>	125,748	95,965
Management and consulting fees <i>(note 14)</i>	456,889	630,987
Transfer, filing and listing fees	47,853	54,730
Investor relations expense	378	93,038
Stock-based compensation <i>(note 17)</i>	269,985	178,789
Interest expense	-	8,114
Interest income	(330)	(3,918)
Accretion of interest <i>(note 15)</i>	74,320	40,494
Realized and unrealized loss (gain) on marketable securities	32,166	(2,483)
Share of loss in investment using the equity method <i>(note 13)</i>	656	96,133
Loss on foreign exchange	17,852	45,312
	<b>(1,413,931)</b>	<b>(1,758,714)</b>
<b>Other items</b>		
Gain on write-off of accounts payable	173,906	-
Write-off of Pathaha Agro deposit <i>(note 10)</i>	(120,267)	-
Impairment of investment in joint venture <i>(note 13)</i>	(8,403,320)	-
<b>Net loss for the year</b>	<b>(9,763,612)</b>	<b>(1,758,714)</b>
<b>Other comprehensive loss</b>		
Items that may be subsequently reclassified to profit and loss		
Translation adjustment	(618,499)	(482,568)
Impairment of investment in joint venture	818,166	-
<b>Comprehensive loss for the year</b>	<b>(9,563,945)</b>	<b>(2,241,282)</b>
<b>Loss per share - Basic and diluted loss per share</b>	<b>(0.11)</b>	<b>(0.02)</b>
<b>Weighted average number of outstanding common shares – Basic and diluted</b>	<b>86,090,916</b>	<b>82,864,284</b>

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS AT MARCH 31, 2019 AND 2018**  
**EXPRESSED IN CANADIAN DOLLARS**

	Share Capital (#)	Share Capital \$	Subscription received in advance \$	Share based payment reserve \$	Foreign currency translation reserve \$	Deficit \$	Total shareholders' equity \$
Balance – April 1, 2018	83,368,313	15,064,048	1,000,000	3,532,531	(199,667)	(10,879,588)	8,517,324
Net loss	-	-	-	-	-	(9,763,612)	(9,763,612)
Translation adjustment	-	-	-	-	(618,499)	-	(618,499)
Impairment of investment in joint venture	-	-	-	-	818,166	-	818,166
Comprehensive loss	-	-	-	-	199,667	(9,763,612)	(9,563,945)
Shares issued for cash (note 17)	3,125,000	1,000,000	(1,000,000)	-	-	-	-
Fair value allocated to warrants (note 17)	-	(125,000)	-	125,000	-	-	-
Finders fees	-	90,861	-	-	-	-	90,861
Stock based compensation (note 17)	-	-	-	269,985	-	-	269,985
<b>Balance- March 31, 2019</b>	<b>86,493,313</b>	<b>16,029,909</b>	<b>-</b>	<b>3,927,516</b>	<b>-</b>	<b>(20,643,200)</b>	<b>(685,775)</b>
Balance – April 1, 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
Warrant exercised (note 17)	185,186	62,963	-	-	-	-	62,963
Balance – March 31, 2018	83,368,313	15,064,048	1,000,000	3,532,531	(199,667)	(10,879,588)	8,517,324

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018  
EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2019	March 31, 2018
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the year	(9,763,612)	(1,758,714)
Adjustments for items not involving cash:		
Depreciation expense	125,748	95,965
Government assistance benefit	(347,773)	(38,385)
Gain on write-off of accounts payable	(173,906)	-
Stock-based compensation	269,985	178,789
Share of loss in investment in associate	656	96,133
Write-off of Pathaha Agro deposit	120,267	-
Impairment of investment in joint venture	8,403,320	-
Accretion of interest	74,320	40,494
Realized and unrealized loss (gain) on marketable securities	32,166	(2,483)
Unrealized loss on foreign exchange	17,092	13,164
<b>Changes in non-cash working capital items:</b>		
Decrease (increase) in accounts receivable	78,470	(20,466)
Decrease (increase) in prepaid expenses	5,791	(12,989)
(Decrease) increase in accounts payable and accrued liabilities	427,070	278,031
Net cash used for operating activities	(730,405)	(1,130,461)
<b>Investing activities</b>		
Investment in Joint Venture	(216,108)	(385,631)
Acquisition of equipment	(92,208)	(467,931)
Net cash used for investing activities	(308,316)	(853,562)
<b>Financing activities</b>		
Proceeds on shares to be issued	-	1,000,000
Proceeds on exercise of options	-	124,000
Proceeds on exercise of warrants	-	62,963
Proceeds from long-term loan	726,907	448,627
Repayment of long-term loan	(61,200)	(51,000)
Net cash from financing activities	665,707	1,584,590
Net change in cash	(373,014)	(399,433)
Cash, beginning	952,375	1,351,808
<b>Cash ending</b>	<b>579,361</b>	<b>952,375</b>

**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, 2019 AND 2018**  
**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 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 and graphene company that mines, processes, refines graphite and produces both graphene and 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, 2019, the Company incurred losses of \$9,763,612 (2018 - \$1,758,714) and as at March 31, 2019 had an accumulated deficit of \$20,643,200 (2018 - \$10,879,588). The Company has no cash flows from operations and at March 31, 2019 had a working capital (deficiency) of (\$451,833) (2018 – \$289,431).

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

These 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 29, 2019.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
**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) 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.

**ELCORA ADVANCED MATERIALS CORP.**  
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**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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

**c) Financial instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments during the year ended March 31, 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at adoption date. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	Amortized cost	Amortized cost
Marketable securities	FVTPL	FVTPL
Accounts payable	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

(ii) Measurement

**Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

**Debt investments at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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

**c) Financial instruments (continued)**

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

**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.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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

**d) Impairment of non-financial assets (continued)**

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.

**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.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. Summary of significant accounting policies (continued)**

**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.

**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.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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**5. Recent accounting pronouncements**

**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.

**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, 2019, and have not been applied in preparing these consolidated financial statements. None of the new standard are expected to be applicable or to have a significant effect on the consolidated financial statements of the Company, except for the following:

**IFRS 16, Leases**

IFRS 16 “Leases” replaced IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. 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. As at April 1, 2019, the Company expects to recognize a right-of-use asset and corresponding lease liability of \$68,888 for its subsidiary’s lease (note 20).

**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)**

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

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

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Loans and receivables:		
Cash	<b>579,361</b>	952,375
Fair value through profit and loss:		
Investment in marketable securities	<b>10,162</b>	44,367
	<b>589,523</b>	996,742

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

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Other financial liabilities at amortized cost:		
Accounts payable	<b>224,264</b>	111,977
Loan payable	<b>741,232</b>	409,771
	<b>965,496</b>	521,748

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.

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

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, 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 March 31, 2019, a 5% change in the quoted price of marketable securities would impact net loss by \$508 (2018 - \$2,218). The Company is not exposed to any other direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

(b) Credit risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at March 31, 2019, the Company had cash of \$579,361 (2018 - \$952,375) to settle current liabilities of \$1,064,105 (2018 - \$814,825).

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**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, 2019 totaled \$(685,775 - Deficit) (2018 - \$8,517,324). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of business. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

**9. Accounts receivable**

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Sales tax recoverable	<b>10,359</b>	31,926
Government grants receivable	<b>1,120</b>	58,023
	<b>11,479</b>	89,949

**10. Prepaid expenses**

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Current	<b>11,270</b>	17,565
Non-current	-	119,763
	<b>11,270</b>	137,328

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 \$120,267 (2018 - \$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. ("Sakura"). The Facilitation Fee Agreement shall continue for a term of 20 years (note 20).

Subsequent to March 31, 2019, the agreement was cancelled and the prepaid funds of \$120,267 were written off.

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**11. Accounts payable and accrued liabilities**

	March 31, 2019 \$	March 31, 2018 \$
Accounts payable (note 14)	224,264	111,977
Accrued liabilities (note 14)	736,280	625,481
	<b>960,544</b>	<b>737,458</b>

**12. Property and equipment**

	Lab Equipment \$	Leasehold Improvements \$	Drilling equipment \$	Total \$
Year ended March 31, 2019				
Opening net book value	266,715	34,354	136,201	437,270
Additions	-	-	92,208	92,208
Depreciation for the year	(78,383)	(14,260)	(33,105)	(125,748)
<b>Closing net book value</b>	<b>188,332</b>	<b>20,094</b>	<b>195,304</b>	<b>403,730</b>
At March 31, 2019				
Cost	391,915	57,039	231,731	680,685
Accumulated depreciation	(203,583)	(36,945)	(36,427)	(276,955)
<b>Closing net book value</b>	<b>188,332</b>	<b>20,094</b>	<b>195,304</b>	<b>403,730</b>
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>

Additions to property and equipment are net of government assistance benefits related to the ACOA loan (note 15). The total amount of government assistance allocated to property and equipment totaled \$23,535 (2018 - \$270,150) (note 15). The government assistance allocated to lab equipment, leaseholds improvements, and drilling equipment was \$Nil, \$Nil, and \$23,535 respectively for the year ended March 31, 2019 (2018 - \$89,706, \$18,033, and \$162,411) (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 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").

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

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 a fair 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 Option Pricing Model at June 30, 2014, a fair 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 \$66,249.

**Sakura Joint Venture**

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, 2019, 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, 2019</b>	March 31, 2018
	\$	\$
Opening balance	<b>7,812,310</b>	8,005,380
Additional investment in Sakura	<b>216,108</b>	385,631
Share of loss for the year	<b>(656)</b>	(96,133)
Translation loss	<b>(618,495)</b>	(482,568)
	<b>7,409,266</b>	7,812,310
Advances receivable from Sakura	<b>175,888</b>	190,954
Foreign currency translation reserve	<b>818,166</b>	-
Impairment	<b>(8,403,320)</b>	-
	-	8,003,264

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.

**Summary Statements of Comprehensive loss**

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
For the years ended		
Operating general and administration expenses	<b>(25,155)</b>	209,829
Depreciation and amortization	<b>26,796</b>	30,504
Net loss and comprehensive loss	<b>1,641</b>	240,333

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

**Summary Statements of Financial Position**

<b>As at</b>	<b>March 31, 2019 \$</b>	March 31, 2018 \$
Non-current assets	<b>18,829,009</b>	19,889,527
Total assets	<b>18,829,009</b>	19,889,527
Accounts payable and other payables	<b>129,954</b>	167,798
Current liabilities	<b>129,954</b>	167,798
Non-current liabilities	<b>175,890</b>	190,954
Shareholders' equity	<b>18,523,165</b>	19,530,775
Total liabilities and shareholders' equity	<b>18,829,009</b>	19,889,527

**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, 2019 \$</b>	March 31, 2018 \$
Rent and administrative fees to a company jointly controlled by the CFO	<b>18,500</b>	-
Consulting fees	<b>400,000</b>	400,000
Stock based compensation	<b>171,478</b>	-
Total	<b>589,978</b>	400,000

On March 31, 2019, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$719,404 (2018- \$395,404) (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, 2019</b>	March 31, 2018
	\$	\$
ACOA interest-free loan with a maximum contribution of \$495,750, (“Loan 1”) repayable in 60 equal monthly payments of \$5,100 commencing July 1, 2017 and final payment of \$3,750. As at March 31, 2019, the amount drawn down on the loan is \$202,650 (2018 - \$258,749)	<b>155,831</b>	190,754
ACOA interest-free loan with a maximum contribution of \$1,306,150, (“Loan 2”) repayable in 111 equal monthly payments of \$10,590 commencing December 1, 2019. As at March 31, 2019, the amount drawn down on the loan is \$1,175,535 (2018-\$448,628)	<b>585,401</b>	219,017
	<b>741,232</b>	409,771
Less : Current portion	<b>(103,561)</b>	(77,367)
	<b>637,671</b>	332,404

During the year ended March 31, 2019, the Company received an interest-free loan of \$726,907 (2018 -\$448,627) from the ACOA. Based on management’s analysis as at March 31, 2019, the fair value of the loans was \$741,232 (2018 - \$409,771). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (2018 – 15%).

During the year ended March 31, 2019, the Company renegotiated the payment terms of Loan 2, with repayments of \$10,590 commencing December 1, 2019 rather than January 1, 2019.

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

Year ending	\$
March 31, 2020	103,562
March 31, 2021	188,285
March 31, 2022	188,285
March 31, 2023	146,135
March 31, 2024	127,085
	<b>753,352</b>

The renegotiated terms resulted in the present value of the loans cash flows changing by more than 10%. Under IFRS, a change in the present value of more than 10% will be accounted for as an extinguishment of debt and recognition of a new liability. Accordingly, a gain of \$32,867 was recorded on the recognition of the new liability.

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**15. Loan payable (continued)**

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Balance – Beginning of the year	<b>409,771</b>	210,829
Advanced, net of \$375,699 (2018 – \$239,179) allocated to government assistance	<b>351,208</b>	209,448
Fair value adjustment resulting from extinguishment	<b>(32,867)</b>	-
Repayment	<b>(61,200)</b>	(51,000)
Accreted Interest	<b>74,320</b>	40,494
Balance – End of the year	<b>741,232</b>	409,771
Less: Current portion	<b>(103,561)</b>	(77,367)
Non-current portion	<b>637,671</b>	332,404

During the year ended March 31, 2019, \$352,164 (2018 - \$38,385) of the government assistance benefit was recorded as a reduction in related research and development expenses and \$23,535 (2018 - \$270,150) was recorded as a reduction to property and equipment (note 12).

**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 \$8,332,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

Year ending	\$
March 31, 2031	11,000
March 31, 2032	35,000
March 31, 2033	330,000
March 31, 2034	1,081,000
March 31, 2035	1,220,000
March 31, 2036	1,233,000
March 31, 2037	2,004,000
March 31, 2038	1,462,000
March 31, 2039	956,000
	<b>8,332,000</b>

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**16. Income taxes (continued)**

**b) Effective income tax rate**

At March 31, 2019 and 2018, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax net loss for the year. The reasons for the difference are as follows:

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Loss before income taxes	<b>9,763,612</b>	1,758,714
Income tax recovery based on statutory rates	<b>3,026,720</b>	545,201
Non-deductible stock option expense	<b>(83,695)</b>	(55,425)
Unrealized (gains) and losses	<b>(9,971)</b>	770
Share of loss in joint venture	<b>(203)</b>	(29,801)
Share issue cost	<b>12,919</b>	16,112
Unrealized foreign exchange (gains) and losses	<b>(5,534)</b>	(14,047)
Other	<b>123,883</b>	105,631
Unrecorded tax benefit of losses	<b>(3,064,119)</b>	(568,441)
<b>Recovery of income taxes</b>	<b>-</b>	<b>-</b>

**c) Deferred tax assets and liabilities**

The following reflects the deferred tax assets and liabilities at March 31, 2019 and March 31, 2018:

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
<b>Deferred tax assets</b>		
Non-capital losses	2,582,000	2,174,000
Capital losses	41,000	41,000
Deductible share issuance costs	19,000	32,000
Tax value in excess of accounting value of marketable securities	140,000	130,000
Tax value in excess of accounting value of exploration and evaluation assets	48,000	48,000
Tax value in excess of accounting value of joint venture	2,847,000	299,000
Tax value in excess of accounting property and equipment	100,000	-
Cumulative eligible capital	15,000	5,000
Portion of deferred tax assets unrecognized	(5,792,000)	(2,729,000)
<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

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

**Issuance of shares and warrants**

**Shares Issued for the year ended March 31, 2019**

- On May 17, 2018, the Company closed a private placement of 3,125,000 units at a price of \$0.32 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.36 for two years. A total fair value of \$125,000 have been allocated to the warrants recorded in share-based payment reserve. During the year ended March 31, 2018, the Company received subscriptions of \$1,000,000 towards this private placement, which was applied to towards this private placement.

**Shares Issued for the year ended 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.

**Warrants**

	Number of warrants #	Weighted average exercise price \$
<b>Opening Balance – April 1, 2017</b>	20,376,305	0.31
Exercised during the year	(185,186)	0.30
Expired during the year	(2,632,643)	0.43
Closing Balance – March 31, 2018	<b>17,558,476</b>	<b>0.29</b>
Issued - Private Placement	3,125,000	0.037
<b>Closing Balance – March 31, 2019</b>	<b>20,683,746</b>	<b>0.24</b>

During the year ended March 31, 2019, the Company re-priced and extended the life of 9,140,909 warrants that were issued under a private placement on February 2, 2017 and 473,250 warrants that were issued under a private placement on February 23, 2017. The exercise price was changed to \$0.20 from the original exercise price of \$0.34 and the expiry date was extended to February 2, 2020 and February 23, 2020 from February 2, 2019 and February 23, 2019, respectively.

Warrants outstanding as of March 31, 2019:

Expiry Date	Number of Warrants Outstanding and exercisable	Exercise Price (\$)
June 10, 2019	1,116,875	0.52
June 30, 2019	6,827,442	0.19
February 2, 2020	9,140,909	0.20
February 23, 2020	473,250	0.20
May 17, 2020	3,125,000	0.36
<b>Total</b>	<b>20,683,476</b>	

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

**Stock options**

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

The following table summarizes the changes in the outstanding stock options for the year ended March 31, 2019:

	Number of options #	Weighted average exercise price \$
Balance – April 1, 2017	5,702,500	0.15
Issued	1,200,000	0.20
Exercised	(400,000)	0.31
Balance – issued and exercisable at March 31, 2018	6,502,500	0.15
Issued	3,700,000	0.06
Cancelled	(1,337,500)	-
Expired	(245,000)	(0.15)
<b>Balance – issued and exercisable at March 31, 2019</b>	<b>8,620,000</b>	<b>0.12</b>

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2019 are as follows:

Exercise prices	Outstanding options		Exercisable options		
	Number of options outstanding #	Weighted average remaining term (years)	Weighted average exercise price \$	Number of options exercisable #	Weighted average exercise price \$
\$0.01 - \$0.10	2,195,000	1.48	0.10	2,195,000	0.10
\$0.01 - \$0.10	3,700,000	4.85	0.08	3,700,000	0.08
\$0.11 - \$0.20	875,000	3.51	0.15	875,000	0.15
\$0.21 - \$0.30	1,850,000	1.67	0.21	1,850,000	0.21
	8,620,000	3.18	0.12	8,620,000	0.12

**ELCORA ADVANCED MATERIALS CORP.**  
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**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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**17. Share capital and reserves (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, 2019</b>	March 31, 2018
Average dividend per share	-	-
Average share price	<b>0.08</b>	0.20
Average forecasted volatility	<b>112%</b>	107%
Average risk-free interest rate	<b>1.84%</b>	1.75%
Average expected life	<b>4 years</b>	4 years
Fair value - weighted average of options issued	<b>0.07</b>	0.18

During the year ended March 31, 2019, the Company granted 3,700,000 stock options which vested immediately, exercisable at \$0.08 for a period of 5 years.

During the year ended March 31, 2018, 200,000 options were granted under the Company's stock option plan to an employee through the execution of an employment contract. 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, 2019, the Company recorded stock-based compensation expense with an offsetting increase to share based payment reserve of \$269,985 (2018 - \$178,789).

**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.

**Foreign currency translation reserve**

The foreign currency translation reserve records the unrealized translation gains and losses in the translation of the investment in the joint arrangement with Sakura from its functional currency of Sri Lankan rupee to Canadian dollar. Assets and liabilities of Sakura 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.

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

The significant non-cash investing and financing activities for the year ended March 31, 2019 include:

- a) Annual translation adjustment of (\$618,499) in revaluating the investment in joint venture at the end of the year.
- b) Shares issued for subscriptions received during the year ended March 31, 2018 of \$1,000,000.

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.

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**19. Segmented information**

The Company's operations comprised of two reportable segments; the development of graphite mineral properties through the joint venture in Sakura and graphene related research and development activities through the Company's subsidiary 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>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Graphene Corp. (Canada)	<b>307,999</b>	344,476
Sakura (Sri Lanka)	<b>656</b>	96,133
Corporate (Canada)	<b>9,255,290</b>	1,800,673
	<b>9,563,945</b>	2,241,282
Non-current assets as at March 31,	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Graphene Corp. (Canada)	<b>403,730</b>	437,270
Sakura (Sri Lanka)	-	8,003,264
Corporate (Canada)	-	119,763
	<b>403,730</b>	8,560,297

**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 (\$)
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**

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.



**ELCORA**

**ELCORA ADVANCED MATERIALS CORP.**

**Management Discussion and Analysis**

For the years ended March 31, 2019 and 2018

**ELCORA ADVANCED MATERIALS CORP.  
MANAGEMENT DISCUSSION & ANALYSIS  
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**July 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 consolidated financial situation for the year ended March 31, 2019. This report, prepared as at July 29, 2019 intends to complement and supplement our consolidated financial statements for the year ended March 31, 2019 and 2018 (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".

**ELCORA ADVANCED MATERIALS CORP.**  
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**FOR THE YEAR ENDED MARCH 31, 2019**

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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 year ended March 31, 2019 and subsequent to the year ended:

- 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.
- The Company was awarded a NSERC-ENGAGE grant with Dr. Heather Andreas at Dalhousie University. The collaboration with Dr. Andreas is to study the Company's high-quality graphene as an electrode material for super capacitors. The Super capacitor market is expected to reach USD 2.18 billion by 2022 at a CAGR of 20.7% between 2016 and 2022 due to key growth drivers such as consumer and automotive applications, power conservation and storage capabilities.
- Developed several carbon coating processes to control the BET surface area of graphite anode powder
- Secured partner to perform commercial scale thermal purification and carbon coating of Elcora's graphite anode powder (processed ~ 1,000 KG of product).
- Developed advanced in-situ-volume measurements for studying expansion/contraction of lithium-ion batteries during charge/discharge.
- Continued externally-funded project to study Elcora's graphene as a conductivity promoter in lithium-ion batteries.

**ELCORA ADVANCED MATERIALS CORP.  
MANAGEMENT DISCUSSION & ANALYSIS  
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**COMPANY HIGHLIGHTS (continued)**

- The Company has completed a project with a commercial manufacturer of Li-ion batteries. Results from the project show that Elcora's graphite is high-quality and suitable for use in commercial-grade Lithium-ion batteries. In the project the commercial manufacturer of Li-ion cells replaced their standard natural graphite powder with Elcora's natural graphite powder. Two sets of 18650's cells were made. One set of 18650's was made from Elcora's natural graphite anode powder. The second set of 18650's was made from the companies' standard natural graphite anode powder. Tests showed that Elcora's anode powder performed as well as the company's standard graphite. These results show that Elcora's graphite anode powder is suitable for large-scale, commercial-quality Lithium-ion cell manufacturing. Furthermore, Elcora's graphite anode powder easily passed all quality control and safety tests (e.g. hot box at 130 o C and 2C overcharge safety test).
- On April 10, 2018, the Company entered into a strategic relationship with Elephant Red Maple New Material Technology (Suzhou) Co. Ltd. ("Elephant Red"). The objective is to develop graphene coating applications and the Company is pursuing the use of Graphene in the coating business for functional and production efficiencies. Elephant Red has many industrial clients, with approximately 300 distributors in China. As part of the strategic partnership, Elephant Red participated in the Company's latest private placement. Elephant Red received 3,250,000 units of the Company at a price of \$0.32 per unit for \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.36 for two years.
- The Company's head research facility and production laboratory in Bedford, Nova Scotia has been upgraded to support the research and development of Graphene applications and products. The Company is producing graphene and is continuing to optimize the product with the plans to expand production as required. the company is currently in discussion with coating and energy companies for partnerships in the development and commercialization of complementary graphene products.

**SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES**

**Equity Transactions**

- On May 17, 2018, the Company closed a private placement of 3,125,000 units at a price of \$0.32 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase
- During the year, the Company granted warrant exercisable at \$0.36 for two years. A total fair value of \$125,000 have been allocated to the warrants recorded in share-based payment reserve. During the year ended March 31, 2018, the Company received subscriptions of \$1,000,000 towards this private placement, which was applied to towards this private placement.

**ELCORA ADVANCED MATERIALS CORP.  
MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

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**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. 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 subsequent to March 31, 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. Eminent has an interest in a graphite deposit mine in South Nachu, Tanzania. Pursuant to the terms of the LOI with Eminent, Eminent will provide Elcora with raw graphite, which will be processed on site by the Company.

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.

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**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.

**SELECTED ANNUAL INFORMATION FOR THE PAST THREE YEARS**

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
<b>Financial Position</b>			
Total assets	1,016,001	9,664,553	10,063,110
Total non-current liabilities	637,671	332,404	195,854
Total liabilities	1,701,776	1,147,229	670,256
<b>Operations</b>			
Net loss for the year	9,763,612	1,758,714	2,298,070
Basic and diluted loss per share	(0.11)	(0.02)	(0.03)

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**RESULTS OF OPERATIONS**

All of the balances set out in this and following sections, including the Summary of quarterly results (for fiscal 2019 and Fiscal 2018), conform to IFRS standards.

	March 31, 2019	March 31, 2018
	\$	\$
<b>Expenses (Income)</b>		
Research & development, net of government grants & assistance	240,025	238,085
Professional fees	85,583	215,862
General and administrative expenses	62,806	67,606
Depreciation expense	125,748	95,965
Management and consulting fees	456,889	630,987
Transfer, filing and listing fees	47,853	54,730
Investor relations expense	378	93,038
Stock-based compensation	269,985	178,789
Interest expense	-	8,114
Interest income	(330)	(3,918)
Accreted Interest	74,320	40,494
Realized & unrealized (gain) loss on marketable securities	32,166	(2,483)
Share of loss in investments using the equity method	656	96,133
Realized & unrealized loss on foreign exchange	17,852	45,312
<b>Loss for the year</b>	<b>(1,413,931)</b>	<b>(1,758,714)</b>
<b>Other items</b>		
Gain on write-off of accounts payable	173,906	-
Write-off of Pathaha Agro deposit	(120,267)	-
Impairment of investment in joint venture	(8,403,320)	-
<b>Net loss for the year</b>	<b>(9,763,612)</b>	<b>(1,758,714)</b>

The Company incurred a net loss of \$1,413,931 for the year ended March 31, 2019 compared to a net loss of \$1,758,714 for the corresponding period in 2018. Some of the significant charges to operations are as follows:

- Research and development expenses of \$240,025 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- \$238,085). The increase is a result of additional grant funding received during 2019 and increased focus on the development of graphene products and applications, relative to the comparative period. 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 expenses of \$85,583 consisting mainly of legal and other professional fees (2018- \$215,862 ). During 2018, the Company was in the process of designing and implementation the Company's graphene production facility in Halifax, Nova Scotia. During 2019, the Company fully implemented the production facility and did not incur the startup legal costs associated with this facility. The Company has maintained legal fees to a minimum to preserve cash to focus on research and development activities.

**ELCORA ADVANCED MATERIALS CORP.**  
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**RESULTS OF OPERATIONS (CONTINUED)**

- Depreciation expenses of \$125,748 relate to the drill equipment acquired by the company at the end of 2018 fiscal year (2018- 95,965). Increase in depreciation expense is due to acquisition of the assets in 2018.
- Management and consulting fees consist mainly of amounts paid to consultants assisting the Company in achieving its strategy as well as fees paid and or accrued to Officers of the Company of \$456,889 (2018 - \$630,987). The Company is minimizing certain expenditures to optimize cash flow.
- Regulatory, transfer agent and filing fees amounting to \$47,853 (2018- \$54,730). Decrease due to general cost cutting initiatives.
- Accreted interest of \$74,320 (2018 - \$40,494) 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. During the year 2019, Company received free ACOA loans resulting in an increase in accreted interest.
- Investor relations fees of \$378 (2018 - \$93,038) decreased as the Company is minimizing certain expenditures to preserve cash.
- Stock-based compensation for the year amounted to \$269,985 (2018 - \$178,789). Increase mainly due to more option grants in current year.
- Unrealized loss of \$32,166(2018 - gain of \$2,483) on marketable securities is a result of the fluctuating fair market value of the investment.
- The impairment in joint venture is related to Sakura. In 2019, there was minimal activity on the joint venture and as a result there was an indication for impairment. The investment and advances were fully impaired resulting in a loss from impairment of investment in joint venture of \$8,403,320 (2018 - \$nil) and translation gain from impairment of investment in joint venture of \$818,166 (218- \$nil).
- The \$656 share of loss in joint venture (2018 - \$96,133) represents Elcora's 40% share in Sakura's losses for the year.

**SUMMARY OF QUARTERLY RESULTS**

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

	March 31 2019 \$	Dec 31 2018 \$	Sep 30, 2018 \$	June 30, 2018 \$	Mar 31, 2018 \$	Dec 31, 2017 \$	Sep 30, 2017 \$	Jun 30, 2017 \$
<b>Deficit and Cash Flow</b>								
Revenue	-	-	-	-	-	-	-	-
Net loss	(8,614,001)	(304,278)	(393,523)	(451,810)	(526,381)	(457,837)	(279,440)	(495,056)
Basic and diluted loss per share	(0.10)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Balance Sheet</b>								
Total Assets	1,016,001	8,052,894	8,321,707	9,292,270	9,528,353	8,819,367	8,828,185	9,445,679

Fluctuations in net loss quarter over quarter is a result of the Company's share of losses in Sakura, impairment of Sakura, the increased investment into R&D expenses, increased activity associated with Graphene Corp and fluctuations in certain non-cash expenses such as stock-based compensation and write downs. Fluctuations in total assets during the year are mostly due to timing of financings and investments made into the Joint Venture.

**ELCORA ADVANCED MATERIALS CORP.**  
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**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 March 31, 2019, the Company had working capital deficit of \$451,833 (March 31, 2018- \$289,431- surplus). The Company also had current liabilities of \$1,064,105 at March 31, 2019 (March 31, 2018 - \$814,825) with cash at \$579,361 (March 31, 2018 - \$952,375). 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.

**ELCORA ADVANCED MATERIALS CORP.**  
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**FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)**

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 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, 2019, a 5% change in the quoted price of marketable securities would impact net loss by \$508 (2018 - \$2,218). 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.

(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 March 31, 2019, the Company had cash of \$579,361 (2018 - \$952,375) to settle current liabilities of \$1,064,105 (2018 - \$814,825).

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.

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**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
Denise 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>March 31, 2019</b>	March 31, 2018
	\$	\$
Consulting fees paid to 3063625 NS Ltd., a company wholly owned by the Chief Executive Officer	<b>250,000</b>	250,000
Consulting fees paid to Executive Management Solutions Ltd., a company wholly owned by the Chief Financial Officer	<b>150,000</b>	150,000
	<b>400,000</b>	400,000

On March 31, 2019, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$719,404 (2018- \$395,404). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

**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.

**Outstanding Stock Options and warrants**

During the year ended March 31, 2019, the Company granted 3,700,000 stock options which vested immediately, exercisable at \$0.08 for a period of 5 years.

For the year ended March 31, 2019, the Company recorded stock-based compensation expense with an offsetting increase to share based payment reserve of \$269,985 (2018 - \$178,789).

During the year ended March 31, 2019, the Company re-priced and extended the life of 9,140,909 warrants that were issued under a private placement on February 2, 2017 and 473,250 warrants that were issued under a private placement on February 23, 2017. The exercise price was changed to \$0.20 from the original exercise price of \$0.34 and the expiry date was extended to February 2, 2020 and February 23, 2020 from February 2, 2019 and February 23, 2019, respectively.

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**Subsequent events**

Subsequent to year-end, the Company entered into a 10-year joint venture profit sharing agreement with Eminent Minerals' interest in the South Nachum Tanzania graphite deposit, located in Ruangwa, Tanzania. Pursuant to the terms of the agreement, Eminent Minerals will provide the Company with graphite from the project which will be processed on site by the Company. Any profits from sales will be split on a predetermined basis depending on the Company's required refinement costs. The site consists of 101 square kilometers in the United Republic of Tanzania.

Subsequent to year-end, 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.

**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

**RISKS AND UNCERTAINTIES (CONTINUED)**

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.

**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 year ended March 31, 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.