



ELCORA
ADVANCED MATERIALS

ELCORA ADVANCED MATERIALS CORP.

Consolidated Financial Statements

For the six month period ended September 30, 2019 and 2018

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

<i>As At</i>	September 30, 2019 \$	March 31, 2019 \$
Assets		
Current assets		
Cash	14,913	579,361
Investment in marketable securities	17,195	10,161
Accounts receivable <i>(note 8)</i>	18,198	11,479
Prepaid expenses <i>(note 9)</i>	5,283	11,270
	55,589	612,271
Non-current assets		
Right-of-use lease <i>(note 17)</i>	44,575	-
Property and equipment <i>(note 11)</i>	355,035	403,730
Total assets	455,199	1,016,001
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 10)</i>	908,438	960,544
Current portion of lease liability <i>(note 17)</i>	43,698	-
Current portion of loan payable <i>(note 14)</i>	103,562	103,561
	1,055,698	1,064,105
Long-term liabilities		
Loan payable <i>(note 14)</i>	618,399	637,671
Total liabilities	1,674,097	1,701,776
Shareholders' equity		
Share capital <i>(note 15)</i>	16,029,909	16,029,909
Share based payment reserve <i>(note 15)</i>	3,927,516	3,927,516
Deficit	(21,176,323)	(20,643,200)
Total shareholders' equity	(1,218,898)	(685,775)
Total liabilities and shareholders' equity	455,199	1,016,001

-See Accompanying Notes-

Going concern *(note 2)*

Approved on behalf of the Board of Directors on November 29, 2019

"Troy Grant"

Director

"Denis Choquette"

Director

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Three month period ended,		Six month period ended,	
	September	September	September	September
	30, 2019	30, 2018	30, 2019	30, 2018
			\$	\$
Expenses				
Research and development, net of government grants and assistance (<i>note 14</i>)	115,399	151,792	150,718	424,760
Professional fees	1,122	21,797	8,871	27,006
General and administrative expenses	6,839	16,472	22,856	24,305
Depreciation (<i>note 11</i>)	57,131	28,144	88,763	56,288
Management and consulting fees (<i>note 13</i>)	100,000	100,000	196,625	200,000
Transfer, filing and listing fees	9,785	15,106	14,145	30,258
Investor relations	-	378	-	378
Accretion of interest (<i>note 14</i>)	29,586	13,635	58,599	32,087
Realized and unrealized loss (gain) on marketable securities	(11,239)	23,583	(7,226)	26,247
Share of loss in investment using the equity method (<i>note 12</i>)	-	2,782	-	5,594
Loss (gain) on foreign exchange	312	19,834	(228)	20,827
	(308,935)	(393,523)	(533,123)	(847,750)
Other comprehensive loss				
Items that may be subsequently reclassified to profit and loss				
Translation adjustment	13	(599,867)	-	(599,867)
Comprehensive loss for the period	(308,922)	(993,390)	(533,123)	(1,447,630)
Loss per share - Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.02)
Weighted average number of outstanding common shares – Basic and diluted	86,493,313	86,493,313	86,493,313	85,729,424

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT SEPTEMBER 30, 2019 AND 2018
UNAUDITED - 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 – March 31, 2019	86,493,313	16,029,909	-	3,927,516	-	(20,643,200)	(685,775)
Net loss for the period	-	-	-	-	-	(533,123)	(533,123)
Balance- September 30, 2019	86,493,313	16,029,909	-	3,927,516	-	(21,176,323)	(1,218,898)
Balance – March 31, 2018	83,368,313	15,064,048	1,000,000	3,532,531	(199,667)	(10,879,588)	8,517,324
Net loss for the period	-	-	-	-	-	(847,750)	(847,750)
Translation adjustment	-	-	-	-	(599,880)	-	(599,880)
Comprehensive loss for the period	-	-	-	-	(599,880)	(847,750)	(1,447,630)
Shares issued for private placement	3,125,000	1,000,000	(1,000,000)	-	-	-	-
Balance – September 30, 2018	86,493,313	16,064,048	-	3,532,531	(799,547)	(11,727,338)	(7,069,694)

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	September 30, 2019 \$	September 30, 2018 \$
Cash flows from operating activities		
Net loss for the period	(533,123)	(847,750)
Adjustments for items not involving cash:		
Depreciation expense	88,763	56,288
Government assistance benefit	-	(18,417)
Share in loss of investment in associate	-	5,594
Research and development	(41,734)	-
Accretion of interest	53,062	32,097
Realized and unrealized loss on marketable securities	(7,226)	17,025
Unrealized loss on foreign exchange	192	26,247
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(6,719)	38,280
Decrease in prepaid expenses	5,987	13,080
(Decrease) increase in accounts payable and accrued liabilities	(52,108)	85,731
Net cash used for operating activities	(496,906)	(591,825)
Investing activities		
Acquisition of equipment	(15,752)	-
Net cash used for investing activities	(15,752)	-
Financing activities		
Proceeds from long-term loan	-	35,985
Repayment of lease liability	(25,190)	-
Repayment of long-term loan	(30,600)	(30,600)
Net cash from (used in) financing activities	(55,790)	5,385
Net change in cash	(564,448)	(586,440)
Cash, beginning	579,361	952,375
Cash ending	14,913	365,935

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

1. Nature of business

Elcora Advanced Materials Corp. (the “Company” or “Elcora”) and its subsidiary were incorporated pursuant to the Canada Business Corporations Act on June 6, 2011 and its common shares are listed on the TSX Venture Exchange under the trading symbol ERA. The Company is also listed on the Frankfurt Stock exchange under the symbol ELM and on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group under the symbol ECORF. The Company’s registered office is at 789 West Pender Street, Suite 810, Vancouver, British Columbia, V6C 1H2, Canada and its head office is located at 111 Ahmadi Crescent, Bedford, Nova Scotia, B4A 4E5, Canada.

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

The Company is in the research and development (“R&D”) stage and is subject to the risks and challenges similar to other companies in a comparable stage of R&D. These risks include, but are not limited to, dependence on key individuals, successful research and development programs and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the period ended September 30, 2019, the Company incurred losses of \$533,123 (2019 - \$847,750) and as at September 30, 2019 had an accumulated deficit of \$21,176,323 (2019 - \$20,643,200). The Company has no cash flows from operations and at September 30, 2019 had a working capital deficiency of \$1,000,109 (2018 – \$451,833).

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

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

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018
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3. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2019. These financial statements have been prepared following the same accounting policies as the Company’s audited consolidated financial statements for the year ended March 31, 2019.

The Board of Directors approved these condensed interim consolidated financial statements on November 29, 2019.

Basis of measurement

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

Basis of consolidation

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

4. Significant Accounting Policies

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company’s audited consolidated financial statements for the year ended March 31, 2019, with exception to the new accounting standards adopted by the Company discussed below.

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

Several amendments to existing accounting standards became effective January 1, 2019 and were first adopted by the Company in the six-month period ended September 30, 2019:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Significant Accounting Policies

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.

5. 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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Financial instruments and fair values

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

	September 30, 2019	March 31, 2019
	\$	\$
Loans and receivables:		
Cash	14,913	579,361
Fair value through profit and loss:		
Investment in marketable securities	17,195	10,162
	32,108	589,523

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

	September 30, 2019	March 31, 2019
	\$	\$
Other financial liabilities at amortized cost:		
Accounts payable	908,438	224,264
Lease liability	43,698	-
Loan payable	721,961	741,232
	1,674,097	965,496

The Company uses the following hierarchy in attempting to maximize the use of observable inputs and minimize the use of unobservable inputs, primarily using market prices in active markets.

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

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

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

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

(a) Market risk

i) Foreign exchange risk

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have significant monetary assets or liabilities denominated in foreign currencies and as such is not exposed to significant foreign exchange risk.

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6. Financial instruments and fair values

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 September 30, 2019 and 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 September 30, 2019, a 5% change in the quoted price of marketable securities would impact net loss by \$827 (2019 - \$788). The Company is not exposed to any other direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

(b) Credit risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at September 30, 2019, the Company had cash of \$14,913 (2019 - \$579,361) to settle current liabilities of \$1,055,698 (2018 - \$1,064,105). The Company may require further financing to fund operations.

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

7. Capital management

The Company attempts to manage its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of business. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

8. Accounts receivable

	September 30, 2019 \$	March 31, 2019 \$
Sales tax recoverable	18,198	10,359
Government grants receivable	-	1,120
	18,198	11,479

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Prepaid expenses

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.

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).

During the six-month period ended June 30, 2019, the agreement was cancelled.

10. Accounts payable and accrued liabilities

	September 30,	March 31,
	2019	2019
	\$	\$
Accounts payable	199,898	224,264
Accrued liabilities (note 13)	708,540	736,280
	908,438	960,544

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11. Property and equipment

	Lab Equipment \$	Leasehold Improvements \$	Drilling equipment \$	Total \$
Period ended September 30, 2019				
Opening net book value	188,332	20,094	195,304	403,730
Additions	15,753	-	-	15,753
Depreciation for the period	(40,767)	(7,131)	(16,552)	(64,450)
Closing net book value	163,318	12,963	178,753	355,034
Period ended September 30, 2019				
Cost	407,668	57,039	231,730	696,438
Accumulated depreciation	(244,349)	(44,076)	(52,978)	(341,403)
Closing net book value	163,319	12,963	178,753	355,035
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)
Closing net book value	188,332	20,094	195,304	403,730
At March 31, 2019				
Cost	391,915	57,039	231,731	680,685
Accumulated depreciation	(203,583)	(36,945)	(36,427)	(276,955)
Closing net book value	188,332	20,094	195,304	403,730

Additions to property and equipment are net of government assistance benefits related to the ACOA loan (note 14). The total amount of government assistance allocated to property and equipment totaled \$Nil (2018 - \$2,736) (note 14). The government assistance allocated to lab equipment, leaseholds improvements, and drilling equipment was \$Nil, \$Nil, and \$Nil respectively for the period ended September 30, 2019 (2018 - \$2,736, \$Nil, and \$23,535) (note 14).

12. Investment in Joint Venture

On June 30, 2014, Elcora completed the purchase of 40% of the issued and outstanding shares of Sakura of Sri Lanka. The remaining 60% of Sakura is owned by J.D.K. Wickramaratne, through his wholly owned company KWA Holdings (PVT) Ltd. ("KWA").

Pursuant to the transaction, Elcora issued a total 6,827,442 common shares of Elcora to shareholders of Sakura on the closing date of June 30, 2014. The closing price of Elcora shares on June 30, 2014 was \$0.40, for 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 June 30, 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.

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12. Investment in Joint Venture (Continued)

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.

	September 30, 2019 \$	March 31, 2019 \$
Opening balance	-	7,812,310
Additional investment in Sakura	-	216,108
Share of loss for the period	-	(656)
Translation loss	-	(618,495)
	-	7,409,266
Advances receivable from Sakura	-	175,888
Foreign currency translation reserve	-	818,166
Impairment	-	(8,403,320)
	-	-

At September 30, 2019 and March 31, 2019, the operations of Sakura could not support the carrying value of the investment and advances. Accordingly, as at March 31, 2019, the investment and advances were fully impaired.

13. Related party transactions

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

	September 30, 2019 \$	September 30, 2018 \$
Consulting fees to the CEO and CFO	200,000	200,000
Total	200,000	200,000

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

14. Loan payable

	September 30, 2019 \$	March 31, 2019 \$
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 September 30, 2019, the amount drawn down on the loan is \$309,749 (2019 - \$309,749)	136,560	155,831
ACOA interest-free loan with a maximum contribution of \$1,306,150, ("Loan 2") repayable in 111 equal monthly payments of \$10,590 commencing June 1, 2020. As at September 30, 2019, the amount drawn down on the loan is \$1,175,535 (2019- \$1,175,535)	585,401	585,401
	721,961	741,232
Less : Current portion	(103,562)	(103,561)
	618,399	637,671

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14. Loan payable (Continued)

During the period ended September 30, 2019, the Company received an interest-free loan of \$Nil (2019 - \$35,985) from the ACOA. Based on management's analysis as at September 30, 2019, the fair value of the loans was \$721,961 (2019 - \$741,232). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (2019 - 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. During the period ended September 30, 2019, the Company renegotiated the payment terms of Loan 2, with repayments of \$10,590 commencing June 1, 2020.

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

Year ending	\$
March 31, 2020	62,371
March 31, 2021	188,285
March 31, 2022	188,285
March 31, 2023	146,135
March 31, 2024	127,085
	712,161

	September 30, 2019 \$	March 31, 2019 \$
Balance – Beginning of the year	741,232	409,771
Advanced, net of \$Nil (2019 – \$375,699) allocated to government assistance	-	351,208
Fair value adjustment resulting from extinguishment	(41,734)	(32,867)
Repayment	(30,600)	(61,200)
Accreted Interest	53,062	74,320
Balance – End of the year	721,961	741,232
Less: Current portion	(103,562)	(103,561)
Non-current portion	618,399	637,671

During the period ended September 30, 2019, \$41,734 (2019 - \$352,164) of the government assistance benefit was recorded as a reduction in related research and development expenses and \$Nil (2018 - \$23,535) was recorded as a reduction to property and equipment (Note 11).

15. Share capital and reserves

Authorized capital stock

Unlimited common shares without nominal or par value

Issuance of shares and warrants

Shares Issued for the period ended September 30, 2019

- During the period ended September 30, 2019, the Company did issue any shares.

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.

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15. Share capital and reserves (Continued)

- 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.

Warrants

	Number of warrants #	Weighted average exercise price \$
Closing Balance – March 31, 2018	17,558,476	0.29
Issued - Private Placement	3,125,000	0.037
Closing Balance – March 31, 2019	20,683,746	0.24
Expired	(7,944,317)	(0.24)
Closing balance – September 30, 2019	12,739,159	0.34

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 September 30, 2019:

Expiry Date	Number of Warrants Outstanding and exercisable	Exercise Price (\$)
February 2, 2020	9,140,909	0.20
February 23, 2020	473,250	0.20
May 17, 2020	3,125,000	0.36
Total	12,739,159	

Stock options

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

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15. Share capital and reserves (Continued)

Stock options (continued)

The following table summarizes the changes in the outstanding stock options for the period ended September 30, 2019:

	Number of options #	Weighted average exercise price \$
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)
Balance – Exercisable at March 31, 2019 and September 30, 2019	8,620,000	0.12

The range of exercise prices of stock options outstanding and exercisable as at September 30, 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	1.34	0.10	2,195,000	0.10
\$0.01 - \$0.10	3,700,000	4.61	0.08	3,700,000	0.08
\$0.11 - \$0.20	875,000	2.53	0.15	875,000	0.15
\$0.21 - \$0.30	1,850,000	1.42	0.21	1,850,000	0.21
	8,620,000		0.12	8,620,000	0.12

The fair value of options granted or promised are estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	September 30, 2019	March 31, 2019
Average dividend per share	-	-
Average share price	-	0.08
Average forecasted volatility	-	112%
Average risk-free interest rate	-	1.84%
Average expected life	-	4 years
Fair value - weighted average of options issued	-	0.07

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.

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.

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16. 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 period ended	September 30, 2019 \$	September 30, 2019 \$
Graphene Corp. (Canada)	281,213	330,405
Sakura (Sri Lanka)	-	5,594
Corporate (Canada)	251,913	1,111,631
	533,126	1,447,630

Non-current assets as at	September 30, 2019 \$	March 31, 2019 \$
Graphene Corp. (Canada)	355,035	403,730
Sakura (Sri Lanka)	-	-
Corporate (Canada)	-	-
	355,035	403,730

17. Lease liability

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	32,962
2021	24,230