



ELCORA

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 \$
Assets		
Current assets		
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
	612,271	1,104,256
Non-current assets		
Prepaid expenses (note 10)	-	119,763
Investment in joint venture (note 13)	-	8,003,264
Property and equipment (note 12)	403,730	437,270
Total assets	1,016,001	9,664,553
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	960,544	737,458
Current portion of loan payable (note 15)	103,561	77,367
	1,064,105	814,825
Long-term liabilities		
Loan payable (note 15)	637,671	332,404
Total liabilities	1,701,776	1,147,229
Shareholders' equity		
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)
Total shareholders' equity	(685,775)	8,517,324
Total liabilities and shareholders' equity	1,016,001	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
	\$	\$
Expenses		
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
	(1,413,931)	(1,758,714)
Other items		
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)	-
Net loss for the year	(9,763,612)	(1,758,714)
Other comprehensive loss		
Items that may be subsequently reclassified to profit and loss		
Translation adjustment	(618,499)	(482,568)
Impairment of investment in joint venture	818,166	-
Comprehensive loss for the year	(9,563,945)	(2,241,282)
Loss per share - Basic and diluted loss per share	(0.11)	(0.02)
Weighted average number of outstanding common shares – Basic and diluted	86,090,916	82,864,284

-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
Balance- March 31, 2019	86,493,313	16,029,909	-	3,927,516	-	(20,643,200)	(685,775)
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
	\$	\$
Cash flows from operating activities		
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
Changes in non-cash working capital items:		
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)
Investing activities		
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)
Financing activities		
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
Cash ending	579,361	952,375

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

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
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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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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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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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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
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018
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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.

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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:

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

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

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

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

10. Prepaid expenses

	March 31, 2019	March 31, 2018
	\$	\$
Current	11,270	17,565
Non-current	-	119,763
	11,270	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
	960,544	737,458

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)
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
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)
Closing net book value	266,715	34,354	136,201	437,270
At March 31, 2018				
Cost	391,915	57,039	139,523	588,477
Accumulated depreciation	(125,200)	(22,685)	(3,322)	(151,207)
Closing net book value	266,715	34,354	136,201	437,270

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.

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

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

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13. Investment in Joint Venture (continued)

Summary Statements of Financial Position

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

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

	March 31, 2019	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)	155,831	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)	585,401	219,017
	741,232	409,771
Less : Current portion	(103,561)	(77,367)
	637,671	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
	753,352

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)

	March 31, 2019	March 31, 2018
	\$	\$
Balance – Beginning of the year	409,771	210,829
Advanced, net of \$375,699 (2018 – \$239,179) allocated to government assistance	351,208	209,448
Fair value adjustment resulting from extinguishment	(32,867)	-
Repayment	(61,200)	(51,000)
Accreted Interest	74,320	40,494
Balance – End of the year	741,232	409,771
Less: Current portion	(103,561)	(77,367)
Non-current portion	637,671	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
	8,332,000

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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:

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

c) Deferred tax assets and liabilities

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

	March 31, 2019	March 31, 2018
	\$	\$
Deferred tax assets		
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)
Deferred tax asset	-	-

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 \$
Opening Balance – April 1, 2017	20,376,305	0.31
Exercised during the year	(185,186)	0.30
Expired during the year	(2,632,643)	0.43
Closing Balance – March 31, 2018	17,558,476	0.29
Issued - Private Placement	3,125,000	0.037
Closing Balance – March 31, 2019	20,683,746	0.24

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
Total	20,683,476	

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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)
Balance – issued and exercisable at March 31, 2019	8,620,000	0.12

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

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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:

	March 31, 2019	March 31, 2018
Average dividend per share	-	-
Average share price	0.08	0.20
Average forecasted volatility	112%	107%
Average risk-free interest rate	1.84%	1.75%
Average expected life	4 years	4 years
Fair value - weighted average of options issued	0.07	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,	2019	2018
	\$	\$
Graphene Corp. (Canada)	307,999	344,476
Sakura (Sri Lanka)	656	96,133
Corporate (Canada)	9,255,290	1,800,673
	9,563,945	2,241,282
Non-current assets as at March 31,	2019	2018
	\$	\$
Graphene Corp. (Canada)	403,730	437,270
Sakura (Sri Lanka)	-	8,003,264
Corporate (Canada)	-	119,763
	403,730	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.