



ELCORA
ADVANCED MATERIALS

ELCORA ADVANCED MATERIALS CORP.

Consolidated Financial Statements

For the six month period ended September 30, 2020 and 2019

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	September 30, 2020 \$	March 31, 2020 \$
Assets		
Current assets		
Cash	32,834	33,192
Accounts receivable (note 8)	1,078	2,413
Prepaid expenses (note 9)	6,538	808
Total current assets	40,450	36,413
Non-current assets		
Right of use lease (note 10)	50,473	28,653
Property and equipment (note 12)	224,393	284,885
Total non-current assets	274,866	313,538
Total assets	315,316	349,951
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	1,537,722	1,352,351
Current portion of loan payable (note 15)	202,405	101,202
Current portion of lease liability (note 10)	50,639	21,061
Promissory note (note 16),	44,165	33,765
Government loan (note 17)	21,919	-
Total current liabilities	1,856,850	1,508,379
Long-term liabilities		
Loan payable (note 15)	620,095	665,539
Deferred government grant (note 17)	17,629	-
Total liabilities	2,494,574	2,173,918
Shareholders' deficit		
Share capital (note 18)	16,029,909	16,029,909
Share based payment reserve (note 18)	3,927,516	3,927,516
Deficit	(22,136,683)	(21,781,392)
Total shareholders' deficit	(2,179,258)	(1,823,967)
Total liabilities and shareholders' equity	315,316	349,951

-See Accompanying Notes-

Going concern (note 2)

Approved on behalf of the Board of Directors on November 30, 2020

“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, 2020 AND 2019
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Three month period ended,		Six month period ended,	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
	\$	\$	\$	\$
Expenses				
Research and development, net of government grants and assistance (note 15)	2,817	115,399	(8,980)	150,718
Professional fees	5,231	1,122	11,981	8,871
General and administrative expenses (note 14)	2,593	6,839	5,390	22,856
Depreciation (notes 10 and 12)	39,743	57,131	81,225	88,763
Management and consulting fees (note 14)	100,000	100,000	200,000	196,625
Transfer, filing and listing fees	4,271	9,785	9,609	14,145
Accretion of interest (notes 10, 14, and 17)	30,216	29,586	60,786	58,599
Realized and unrealized loss (gain) on marketable securities	-	(11,239)	-	(7,226)
Gain on lease modification (note 10)	(7,441)	-	(7,441)	-
Loss (gain) on foreign exchange	3,563	325	3,493	(228)
	(180,993)	(308,948)	(356,063)	(533,123)
Other items				
Deferred government grant (note 17)	772	-	772	-
Comprehensive loss for the period	(180,221)	(308,948)	(355,291)	(533,123)
Loss per share - Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of outstanding common shares – Basic and diluted	86,493,313	86,493,313	86,493,313	86,493,313

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT SEPTEMBER 30, 2020 AND 2019
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital \$	Share based payment reserve \$	Deficit \$	Total shareholders' equity \$
Balance – March 31, 2020	86,493,313	16,029,909	3,927,516	(21,781,392)	(1,823,967)
Net loss for the period	-	-	-	(355,291)	(355,291)
Balance- September 30, 2020	86,493,313	16,029,909	3,927,516	(22,136,683)	(2,179,258)
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)

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	September 30, 2020 \$	September 30, 2019 \$
Cash flows from operating activities		
Net loss for the period	(355,291)	(533,123)
Adjustments for items not involving cash:		
Depreciation expense	81,225	88,763
Government assistance	39,228	-
Research and development	-	(41,734)
Accretion of interest	60,423	53,062
Realized and unrealized loss on marketable securities	-	(7,226)
Unrealized loss on foreign exchange	(3,493)	192
Interest on right-of-use asset	374	-
Gain on lease modification	(7,441)	-
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	1,335	(6,719)
Decrease (increase) in prepaid expenses	(5,730)	5,987
(Decrease) increase in accounts payable and accrued liabilities	184,520	(52,108)
Net cash used for operating activities	(4,850)	(496,906)
Investing activities		
Acquisition of equipment	-	(15,752)
Net cash used for investing activities	-	(15,752)
Financing activities		
Repayment of lease liability	(5,908)	(25,190)
Proceeds (repayment) of long-term loan	10,400	(30,600)
Net cash from financing activities	4,492	(55,790)
Net change in cash	(358)	(564,448)
Cash, beginning	33,192	579,361
Cash ending	32,834	14,913

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
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 the OTC Pink Sheets under the trading 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, 2020, the Company incurred losses of \$355,291 (2019 - \$533,123) and as at September 30, 2020 had an accumulated deficit of \$22,136,683 (2019 - \$21,781,392). The Company has negative cash flows from operations and at September 30, 2020 had a working capital deficiency of \$1,816,400 (2019 – \$1,471,966).

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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and has adversely affected global workforces, financial markets, and the general economy. It is not possible for the Company to determine the duration or magnitude of the adverse results of COVID-19 nor its effects on the Company’s business or operations. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

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, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

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, 2020. 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, 2020.

The Board of Directors approved these condensed interim consolidated financial statements on November 30, 2020.

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, 2020, 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.

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.

On May 28, 2020, the IASB issued an amendment to IFRS 16, which provides relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. IFRS 16 has been amended to : (i) provide lessees with an exemption from the requirement to determine whether a COVID-19 related rent concession is a

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

lease modification; and (ii) require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications.

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 and Canada Emergency Business Account (“CEBA”) COVID-19 Economic Response Plan, by the Government of Canada. The benefit of both 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.

6. Financial instruments and fair values

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

	September 30, 2020	March 31, 2020
	\$	\$
Fair value through profit and loss:		
Cash	32,834	33,192
	32,834	33,192

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

6. Financial instruments and fair values (continued)

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

	September 30, 2020	March 31, 2020
	\$	\$
Other financial liabilities at amortized cost:		
Accounts payable	357,000	414,267
Promissory note	44,165	33,765
Loan payable	822,500	766,741
Government loan	21,919	
	1,245,584	1,214,773

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

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts payable and loan payable are non-interest bearing and have contractual maturities of 30 days or less, except as otherwise noted. As such, the Company is not exposed to interest rate risk. As at September 30, 2020 and March 31, 2020, the Company does not have cash equivalents.

iii) Price risk

The Company is not exposed to any 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.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

6. Financial instruments and fair values (continued)

(b) Credit risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at September 30, 2020, the Company had cash of \$32,834 (2019 - \$33,192) to settle current liabilities of \$1,856,850 (2019 - \$1,508,379). 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 Company considers capital to be total shareholder's deficiency, which at September 30, 2020 totaled \$2,179,258 (2019 - \$1,823,967). 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, 2020	March 31, 2020
	\$	\$
Sales tax recoverable	1,078	2,413

9. Prepaid expenses

	September 30, 2020	March 31, 2020
	\$	\$
Current	6,538	808

Prepaid expenses include funds paid in advance for third party suppliers and rent deposit.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

10. Right of use asset and 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 expired August 31, 2020. During the period ended September 30, 2020, the Company received a rent deferral letter from the lessor in relation to the rent relief program due to COVID-19. Upon rent payments being resumed on August 31, 2020, the lessor has amended the terms of the lease. Upon amendment, the term re-commences starting September 1, 2020 and expires on August 31, 2021. Due to the amendment, under *IFRS 16 Leases*, the amended lease will be treated as a lease modification and all according calculations will follow under *IFRS 16 Leases – lease modification*.

Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the year:

	Right of use asset	Lease liability
	\$	\$
As at April 1, 2019	66,857	66,857
Interest additions	-	3,653
Depreciation	(38,204)	-
Payments	-	(49,449)
As at March 31, 2020	28,653	21,061
Adjustment due to change in deferred program	(12,508)	(19,950)
Additions due to modification	55,062	55,062
Interest additions	-	374
Depreciation	(20,734)	-
Payments	-	(5,908)
As at September 30, 2020	50,473	50,639

The total minimum lease payments are \$4,790 per month. The Company is committed to lease payments as follows:

Year ending March 31,	\$
2021	27,162
2022	23,477
	50,639

The lease payments are discounted using a discount rate of 8% which is the Company's incremental borrowing rate.

11. Accounts payable and accrued liabilities

	September 30,	March 31,
	2020	2020
	\$	\$
Accounts payable (note 14)	376,168	414,267
Accrued liabilities (note 14)	1,161,554	938,084
	1,537,722	1,352,351

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

12. Property and equipment

	Lab Equipment \$	Leasehold Improvements \$	Drilling equipment \$	Total \$
Period ended September 30, 2020				
Opening net book value	116,854	5,834	162,197	284,885
Depreciation for the period	(40,179)	(3,760)	(16,553)	(60,492)
Closing net book value	76,675	2,074	145,644	224,393
Period ended September 30, 2020				
Cost	401,797	57,039	231,731	690,567
Accumulated depreciation	(325,122)	(54,965)	(86,087)	(466,174)
Closing net book value	76,675	2,074	145,644	224,393
Year ended March 31, 2020				
Opening net book value	188,332	20,094	195,304	403,730
Additions (note 15)	9,882	-	-	9,882
Depreciation for the year	(81,360)	(14,260)	(33,107)	(128,727)
Closing net book value	116,854	5,834	162,197	284,885
At March 31, 2020				
Cost	401,797	57,039	231,731	690,567
Accumulated depreciation	(284,943)	(51,205)	(69,534)	(405,682)
Closing net book value	116,854	5,834	162,197	284,885

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 \$Nil (2019 - \$10,023) (note 15). The government assistance allocated to lab equipment was \$Nil for the period ended September 30, 2020 (2019 - \$10,023) (note 15).

13. Investment in Joint Venture

Sakura Joint Venture

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

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, 2020, approximately US\$3 million has been funded and the Company does not expect that it will 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.

At both September 30, 2020 and March 31, 2020, 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. There have been no further activities in Sakura nor transactions between Sakura and the Company during the period ended September 30, 2020.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

13. Investment in Joint Venture (continued)

Pathaha Agro (Private) Limited

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. In 2018, the Company paid a deposit of \$120,267 (USD \$90,000) which was written off in fiscal 2019. The remaining consideration was to 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.

During the year ended March 31, 2020, the agreement was cancelled.

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:

	September 30, 2020	September 30, 2019
	\$	\$
Rent and administrative fees to a company jointly controlled by the CFO	9,408	-
Consulting fees to the CEO and CFO	200,000	100,000
Total	209,408	100,000

As at September 30, 2020, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$1,125,540 (2019 - \$905,757) (Note 11). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

In addition, the Company has a promissory note payable to its CEO (note 16).

15. Loan payable

	September 30, 2020	March 31, 2020
	\$	\$
ACOA interest-free loan with a maximum contribution of \$495,750, (“Loan 1”) repayable in 61 equal monthly payments of \$5,100 commencing July 1, 2017. As at September 30, 2020, the total amount drawn down on the loan is \$141,449 (2019 - \$141,449)	119,941	110,303
ACOA interest-free loan with a maximum contribution of \$1,306,150, (“Loan 2”) repayable in 108 equal monthly payments of \$11,767 commencing October 1, 2020 and a final payment of \$6,466. As at September 30, 2020, the total amount drawn down on the loan is \$1,265,536 (2019 - \$1,265,536)	702,559	656,438
	822,500	766,741
Less: Current portion	(202,405)	(101,202)
	620,095	665,539

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

15. Loan payable (continued)

Based on management's analysis as at September 30, 2020, the fair value of the loans was \$822,500 (2019 - \$766,741). 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%).

The minimum annual principal repayments of long-term debt over the next five years from September 30, 2020 are as follows:

Year ending			\$
March 31, 2021			101,202
March 31, 2022			202,404
March 31, 2023			190,854
March 31, 2024			141,204
March 31, 2025			141,204
			776,868
		September 30,	March 31,
		2020 \$	2020 \$
Balance – Beginning of the year	766,741		741,232
Advanced, net of \$Nil (2019 - \$375,699) allocated to government assistance	-		44,679
Other	(4,344)		-
Fair value adjustment resulting from extinguishment	-		(63,530)
Repayment	-		(61,200)
Accreted Interest	60,103		105,560
Balance – End of the period	822,500		766,741
Less: Current portion	(202,405)		(101,202)
Non-current portion	620,095		665,539

During the period ended September 30, 2020, \$Nil (2019 - \$35,299) of the government assistance benefit was recorded as a reduction in related research and development expenses and \$Nil (2019 - 10,023) was recorded as a reduction to property and equipment (note 12).

16. Promissory note

During the year ended March 31, 2020, the Company's CEO advanced \$33,765 to the Company in the form of a promissory note. During the period ended September 30, 2020, the Company's CEO further advanced \$10,400. The promissory note is non-interest bearing, due on demand and unsecured. At September 30, 2020, the entire balance of \$44,165 is outstanding (note 14).

17. Government Loan

During the period ended September 30, 2020, the Company received \$40,000 funds from the Government of Canada in respect to the Canada Emergency Business Account (CEBA) COVID-19 Economic Response Plan. The loan bears interest at a rate of 0% per annum during the initial term of the loan, expiring December 31, 2022. No principal repayments are required during this initial term. If the Company has paid 75% of the loan amount prior to December 31, 2022, the lender will forgive the remaining balance of the loan at this time. If a balance still exists at January 1, 2023, interest will commence at a rate of 5% per annum, payable on a monthly basis. Any balance remaining on the loan will be repayable in full on December 31, 2025. The loan is unsecured.

Pursuant to *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with *IFRS 9 Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

17. Government Loan (continued)

The Company has estimated the initial carrying value of the CEBA Loan at \$21,599, using a discount rate of 15%, which was the estimated rate for similar loan without the interest-free component. The difference of \$18,401 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss. During the period ended September 30, 2020 the Company recorded \$320 in accretion and recognized \$772 as income from government grants.

18. Share capital and reserves

Authorized capital stock

Unlimited common shares without nominal or par value

Shares Issued for the period ended March 31, 2020 and September 30, 2020

During the period ended September 30, 2020, the Company did not issue any shares.

Warrants

	Number of warrants #	Weighted average exercise price \$
Closing Balance – March 31, 2019	20,683,476	0.24
Expired	(17,558,476)	0.29
Closing Balance – March 31, 2020	3,125,000	0.36
Expired	(3,125,000)	0.36
Closing balance – September 30, 2020	-	-

During the period ended September 30, 2020, 3,125,000 warrants expired unexercised with a weighted average price of \$0.36.

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 period ended September 30, 2020:

	Number of options #	Weighted average exercise price \$
Balance – issued and exercisable at March 31, 2019	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, 2020	8,620,000	0.12
Expired	(1,770,000)	(0.10)
Balance – Exercisable at September 30, 2020	6,850,000	0.13

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

18. Share capital and reserves (continued)

Stock options (continued)

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2020 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	425,000	0.10	0.01	425,000	0.01
\$0.01 - \$0.10	3,700,000	1.81	0.04	3,700,000	0.04
\$0.11 - \$0.20	875,000	0.26	0.02	875,000	0.02
\$0.21 - \$0.30	1,850,000	0.05	0.06	1,850,000	0.06
	6,850,000	2.21	0.13	6,850,000	0.13

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.

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 period ended September 30,	September 30, 2020	September 30, 2019
	\$	\$
Graphene Corp. (Canada)	72,245	281,216
Corporate (Canada)	286,046	251,910
	355,291	533,126
Non-current assets as at	September 30, 2020	March 31, 2020
	\$	\$
Graphene Corp. (Canada)	274,866	313,538
	274,866	313,538