



**ELCORA**  
ADVANCED MATERIALS

**ELCORA ADVANCED MATERIALS CORP.**

**Condensed Interim Consolidated Financial Statements**

For the six month period ended September 30, 2021 and 2020

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

AS AT	September 30, 2021	March 31, 2021 (Audited)
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,234,084	290,427
Accounts receivable (note 8)	4,433	15,774
Prepaid expenses (note 9)	1,725	5,159
<b>Total current assets</b>	<b>1,240,242</b>	<b>311,360</b>
<b>Non-current assets</b>		
Right of use lease (note 10)	23,368	9,999
Property and equipment (note 12)	127,582	165,587
<b>Total non-current assets</b>	<b>150,950</b>	<b>175,586</b>
<b>Total assets</b>	<b>1,391,192</b>	<b>486,946</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	1,616,538	1,413,517
Current portion of loan payable (note 15)	202,404	33,738
Lease liability (note 10)	23,444	10,232
Promissory notes (note 16)	397,914	388,251
<b>Total current liabilities</b>	<b>2,240,300</b>	<b>1,845,738</b>
<b>Long-term liabilities</b>		
Loan payable (note 15)	590,016	749,323
Government loan (note 17)	25,442	23,610
<b>Total liabilities</b>	<b>2,855,758</b>	<b>2,618,671</b>
<b>Shareholders' deficit</b>		
Share capital (note 18)	17,772,651	16,657,789
Share based payment reserve (note 18)	3,872,789	3,872,789
Deficit	(23,110,006)	(22,662,303)
<b>Total shareholders' deficit</b>	<b>(1,464,566)</b>	<b>(2,131,725)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,391,192</b>	<b>486,946</b>

-See Accompanying Notes-

Going concern (note 2)  
Subsequent event (note 21)

**Approved on behalf of the Board of Directors on November 29, 2021**

“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, 2021 AND 2020**  
**UNAUDITED - EXPRESSED IN CANADIAN DOLLARS**

	Three month period ended,		Six month period ended,	
	September 31,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Expenses</b>				
Research and development, net of government grants and assistance <i>(note 15)</i>	13,265	2,817	29,528	(8,980)
Professional fees	8,531	5,231	13,781	11,981
General and administrative expenses <i>(note 14)</i>	2,522	2,593	8,567	5,390
Depreciation <i>(notes 10 and 12)</i>	20,445	39,743	50,129	81,225
Management and consulting fees <i>(note 14)</i>	150,000	100,000	250,000	200,000
Transfer, filing and listing fees	5,448	4,271	6,973	9,609
Accretion of interest <i>(notes 10,15, and 17)</i>	60,898	30,216	61,792	60,786
Gain on lease modification	-	(7,441)	-	(7,441)
Interest expense	(24,682)	-	9,979	-
Loss on foreign exchange	661	3,563	16,954	3,493
	(237,088)	(180,993)	(447,703)	(356,063)
<b>Other items</b>				
Deferred government grant <i>(note 17)</i>	-	772	-	772
<b>Comprehensive loss for the period</b>	<b>(237,088)</b>	<b>(180,221)</b>	<b>(447,703)</b>	<b>(355,291)</b>
<b>Loss per share - Basic and diluted loss per share</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>
<b>Weighted average number of outstanding common shares – Basic and diluted</b>	<b>90,528,502</b>	<b>86,493,313</b>	<b>91,422,985</b>	<b>86,493,313</b>

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**  
**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)
<b>Balance- September 30, 2020</b>	<b>86,493,313</b>	<b>16,029,909</b>	<b>3,927,516</b>	<b>(21,136,683)</b>	<b>(2,179,258)</b>
Balance - March 31, 2021	90,443,313	16,657,789	3,872,789	(22,662,303)	(2,131,725)
Private placement	22,410,000	1,120,500	-	-	1,120,500
Share issuance costs	-	(5,638)	-	-	(5,638)
Net loss for the period	-	-	-	(447,703)	(447,703)
<b>Balance- September 30, 2021</b>	<b>112,853,313</b>	<b>17,772,651</b>	<b>3,872,789</b>	<b>(23,110,006)</b>	<b>(1,464,566)</b>

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**  
**UNAUDITED - EXPRESSED IN CANADIAN DOLLARS**

	September 30, 2021 \$	September 30, 2020 \$
<b>Cash flows from operating activities</b>		
Net loss for the period	(447,703)	(355,291)
Adjustments for items not involving cash:		
Depreciation expense	24,636	81,225
Government assistance	(2,012)	39,228
Interest expense	164	-
Accretion of interest	63,805	60,423
Unrealized loss on foreign exchange	(16,954)	(3,493)
Interest on right-of-use asset	-	374
Gain on lease modification	-	(7,441)
Lease addition	25,491	
<b>Changes in non-cash working capital items:</b>		
Accounts receivable	11,342	1,335
Prepaid expenses	3,434	(5,730)
Accounts payable and accrued liabilities	184,674	184,520
Net cash used for operating activities	(152,912)	(4,850)
<b>Financing activities</b>		
Private placement	1,120,500	-
Share issuance costs	(5,638)	-
Proceeds from long-term loan	-	10,400
Proceeds from loans payable	9,663	-
Loans repayments	(15,300)	-
Lease repayment	(12,655)	(5,908)
Net cash from financing activities	1,096,570	4,492
Net change in cash	943,658	(358)
Cash, beginning	290,426	33,192
<b>Cash ending</b>	<b>1,234,084</b>	<b>32,834</b>

*-See Accompanying Notes-*

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**  
**EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED**

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**1. Nature of business**

Elcora Advanced Materials Corp. (the “Company” or “Elcora”) was 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 Frankfort 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 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 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, 2021, the Company incurred losses of \$447,703 and as at September 30, 2021 had an accumulated deficit of \$23,110,006. The Company has no cash flows from operations and at September 30, 2021 had a working capital deficiency of \$1,000,058.

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 2021.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**  
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**3. Basis of preparation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2021. 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, 2021.

The Board of Directors approved these condensed interim consolidated financial statements on November 29, 2021.

**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, 2021, 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.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after April 1, 2021. None of the new standard are applicable or have a significant effect on the condensed consolidated interim financial statements of the Company.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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.

**ELCORA ADVANCED MATERIALS CORP.**  
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**6. Financial instruments and fair values**

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

	September 30, 2021	March 31, 2021
	\$	\$
Loans and receivables:		
Cash	1,234,084	290,427
	<b>1,234,084</b>	<b>290,427</b>

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

	September 30, 2021	March 31, 2021
	\$	\$
Other financial liabilities at amortized cost:		
Accounts payable	1,616,538	300,629
Promissory note	397,914	388,251
Loan payable	792,420	783,061
Lease liability	23,444	
Government loan	25,442	23,610
	<b>2,855,758</b>	<b>1,495,551</b>

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.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Financial instruments and fair values (continued)**

(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, 2021 and March 31, 2021, 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.

(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, 2021, the Company had cash of \$1,234,084 (March 31, 2021 - \$290,427) to settle current liabilities of \$2,240,300 (March 31, 2021 - \$1,845,738). The Company may require further financing to fund operations.

Currently, the Company does not have 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 will need to raise additional financing. 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. Liquidity risk is assessed as high.

**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, 2021 totaled \$1,464,566 (March 31, 2021 - \$2,131,725). 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 period.

**ELCORA ADVANCED MATERIALS CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. Accounts receivable**

	September 30, 2021	March 31, 2021
	\$	\$
Sales tax recoverable	4,433	1,142
Other receivables	-	14,632
	<b>4,433</b>	<b>15,774</b>

**9. Prepaid expenses**

	September 30, 2021	March 31, 2021
	\$	\$
Current	1,725	5,159
	<b>1,725</b>	<b>5,159</b>

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

**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 year ended March 31, 2021, 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. The Company entered into a second lease extension agreement to extend the current lease for one more year to August 31, 2022, effective September 1, 2021. Due to the amendment, under IFRS 16 Leases, the amended lease will be treated as a lease modification and all accounting 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 period:

	Right of use asset	Lease liability
	\$	\$
<b>As at March 31, 2020</b>	<b>28,653</b>	<b>(21,061)</b>
Adjustment due to change in deferred program	(12,734)	20,654
Additions due to modification	23,997	(23,997)
Interest additions	-	(1,558)
Depreciation	(29,917)	-
Payments	-	15,730
<b>As at March 31, 2021</b>	<b>9,999</b>	<b>(10,232)</b>
Additions due to modification	25,492	(25,492)
Interest additions	-	(375)
Depreciation	(12,123)	-
Payments	-	12,655
<b>As at September 30, 2021</b>	<b>23,368</b>	<b>(23,444)</b>

The total revised minimum lease payments including operating costs are \$2,218 per month. The Company is committed to lease payments as follows:

	\$
Year ending March 31, 2022	13,305
Year ending March 31, 2023	11,087
	<b>24,392</b>

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

**ELCORA ADVANCED MATERIALS CORP.**  
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**11. Accounts payable and accrued liabilities**

	September 30, 2021	March 31, 2021
	\$	\$
Accounts payable (note 14)	339,819	300,629
Accrued liabilities (note 14)	1,276,719	1,112,888
	<b>1,616,538</b>	<b>1,413,517</b>

**12. Property and equipment**

	Lab Equipment \$	Leasehold Improvements \$	Drilling equipment \$	Total \$
Period ended September 30, 2021				
Opening net book value	36,496	-	129,091	165,587
Depreciation for the period	(21,452)	-	(16,553)	(38,005)
<b>Closing net book value</b>	<b>15,044</b>	<b>-</b>	<b>112,538</b>	<b>127,582</b>
At September 30, 2021				
Cost	401,797	-	231,731	633,528
Accumulated depreciation	(386,753)	-	(119,193)	(505,946)
<b>Closing net book value</b>	<b>15,044</b>	<b>-</b>	<b>112,538</b>	<b>127,582</b>
Year ended March 31, 2021				
Opening net book value	116,854	5,834	162,197	284,885
Depreciation for the year	(80,358)	(5,834)	(33,106)	(119,298)
<b>Closing net book value</b>	<b>36,496</b>	<b>-</b>	<b>129,091</b>	<b>165,587</b>
At March 31, 2021				
Cost	401,797	57,039	231,731	690,567
Accumulated depreciation	(365,301)	(57,039)	(102,640)	(524,980)
<b>Closing net book value</b>	<b>36,496</b>	<b>-</b>	<b>129,091</b>	<b>165,587</b>

**ELCORA ADVANCED MATERIALS CORP.**  
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**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, 2021, 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, 2021 and March 31, 2021, the operations of Sakura could not support the carrying value of the investment and advances. As at March 31, 2019, the investment and advances had been fully impaired. There have been no further activities in Sakura nor transactions between Sakura and the Company during the period ended September 30, 2021 or the year end March 31, 2021.

**14. Related party transactions**

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

	<b>September 30, 2021</b>	September 30, 2020
	\$	\$
Rent and administrative fees to a company jointly controlled by the CFO	-	9,408
Consulting fees to the CEO and CFO	<b>200,000</b>	200,000
<b>Total</b>	<b>200,000</b>	209,408

As at September 30, 2021, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$1,055,515 (March 31, 2021 - \$864,022). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

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**15. Loan payable**

	September 30, 2021	March 31, 2021
	\$	\$
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, 2021, the total amount drawn down on the loan is \$202,650 (March 31, 2021 - \$141,449)	<b>107,931</b>	114,559
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, 2021, the total amount drawn down on the loan is \$1,265,536 (March 31, 2021 - \$1,265,536)	<b>684,488</b>	668,502
	<b>792,420</b>	783,061
Less: Current portion	<b>(202,404)</b>	(33,738)
	<b>590,016</b>	749,323

Based on management’s analysis as at September 30, 2021, the fair value of the loans was \$792,420 (March 31, 2021 - \$783,061). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (2020 – 15%).

The minimum annual principal repayments of long-term debt over the next five years from March 31, 2021 are as follows:

Year ending	\$
March 31, 2022	151,803
March 31, 2023	192,204
March 31, 2024	141,204
March 31, 2025	141,204
March 31, 2026	141,204
	767,619

	September 30, 2021	March 31, 2021
	\$	\$
Balance – Beginning	<b>783,061</b>	766,741
Advanced, net of \$Nil (2020 – \$772,229) allocated to government assistance	-	-
Fair value adjustment resulting from amended terms	-	(84,928)
Fair value adjustment resulting from extinguishment	-	-
Repayment	<b>(50,601)</b>	-
Accreted interest	<b>59,961</b>	101,248
Balance – End	<b>792,420</b>	783,061
Less: Current portion	<b>(202,404)</b>	(33,738)
Non-current portion	<b>590,016</b>	749,323

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**16. Promissory Note**

During the year ended March 31, 2021, the Company's CEO advanced \$18,400 (2020 - \$33,765) to the Company in the form of a promissory note. The promissory note is non-interest bearing, due on demand and unsecured. At September 30, 2021, \$52,165 (March 31, 2021 - \$52,165) is outstanding (note 14).

During the year ended March 31, 2021, a director of the Company advanced USD\$3,000 (\$3,773) (2020 - \$Nil) to the Company in the form of a promissory note. The promissory note is non-interest bearing, due on demand and unsecured. At September 30, 2021 \$3,822 (March 31, 2021, \$3,773) is outstanding (note 14).

During the year ended March 31, 2021, the Company's CFO loaned \$330,000 (2020 - \$Nil) to the Company. The loan bears 8% interest per year, compounded on a monthly basis. At September 30, 2021, \$341,927 (March 31, 2021 - \$332,313). is outstanding including accrued interest of \$11,927 (March 31, 2021 - \$2,313).

**17. Government Loan**

During the year ended March 31, 2021, 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 is outstanding 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.

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, 2021 the Company recorded \$1,832 (2020 - \$320) in accretion.

	<b>Government loan</b>
Balance – March 30, 2020	\$ -
Addition	21,599
Accretion	2,011
<b>Balance – March 31, 2021</b>	<b>\$ 23,610</b>
Addition	-
Accretion	1,832
<b>Balance, September 30, 2021</b>	<b>\$25,442</b>

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**18. Share capital and reserves**

**Authorized capital stock**

Unlimited common shares without nominal or par value

**Issuance of shares and warrants**

**Shares Issued for the period ended September 30, 2021**

During the period ended September 30, 2021, the Company completed the first tranche of a private placement of 22,410,000 units ("Units") at \$0.05 per Unit, for gross proceeds of \$1,120,500. Each Unit consists of one (1) common share and one (1) share purchase warrant (a "Warrant"). Each Warrant will be exercisable for an additional share at a price of \$0.20 for a period of eighteen (18) months from issuance. In the event that the common shares of the Company trade at a closing price of greater than \$0.50 per Share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the Warrants to expire on the 30th day after the date on which such notice is given to the warrant holders. One of the Company's Directors participated in the first tranche and acquired an aggregate of 680,000 Units.

**Shares Issued for the year ended March 31, 2021**

During the year ended March 31, 2021, the Company issued 3,950,000 common shares pursuant to the stock option exercises.

**Warrants**

The following is a summary of the Company's warrant activity:

	September 30, 2021		March 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	-	\$ -	-	\$ -
Issued	22,410,000	\$ 0.20	-	\$ -
Ending balance	22,410,000	\$ 0.20	-	\$ -

As at September 30, 2021, the Company had the following outstanding warrants:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Average remaining Contractual life (Years)
22,410,000	0.20	March 23, 2023	1.48

**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, 2021:

	Number of options #	Weighted average exercise price \$
Balance – Exercisable at March 31, 2021	4,250,000	0.09
Expired	-	-
Issued	-	-
Exercised	-	-
<b>Balance – Exercisable at September 30, 2021</b>	<b>4,250,000</b>	<b>0.09</b>

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

**Stock options (continued)**

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2021 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	0.62	0.01	425,000	0.01
\$0.01 - \$0.10	2,950,000	2.35	0.06	2,950,000	0.06
\$0.11 - \$0.20	875,000	0.28	0.03	875,000	0.03
	4,250,000	1.44	0.10	4,250,000	0.10

**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. 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.

**20. 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, 2021	September 30, 2020
	\$	\$
Graphene Corp. (Canada)	48,730	72,245
Corporate (Canada)	398,895	283,046
	447,625	355,291

Non-current assets as at	September 30, 2021	March 31, 2021
	\$	\$
Graphene Corp. (Canada)	127,582	175,586
	127,582	175,586

**21. Subsequent event**

The Company completed the final tranche of a private placement of 35,883,700 units ("Units") at \$0.05 per Unit, for gross proceeds of \$1,794,185. Each Unit consists of one (1) common share and one (1) share purchase warrant (a "Warrant"). Each Warrant will be exercisable for an additional share at a price of \$0.20 for a period of eighteen (18) months from issuance. In the event that the common shares of the Company trade at a closing price of greater than \$0.50 per Share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the Warrants to expire on the 30th day after the date on which such notice is given to the warrant holders. One of the Company's Directors participated in the first tranche and acquired an aggregate of 420,000 Units.