



ELCORA
ADVANCED MATERIALS

ELCORA ADVANCED MATERIALS CORP.

Condensed Interim Consolidated Financial Statements

For the six month period ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

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)

| | September 30, 2022 | March 31, 2022 (Audited) |
|---|-----------------------|--------------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 445,254 | 309,130 |
| Accounts receivable (note 8) | 16,080 | 5,934 |
| Investments in marketable securities (note 9) | 250,000 | - |
| Prepaid expenses (note 10) | 105,534 | 75,640 |
| Total current assets | 816,868 | 390,704 |
| Non-current assets | | |
| Right of use lease (note 11) | 32,804 | 10,623 |
| Property and equipment (note 13) | 81,400 | 98,940 |
| Exploration and evaluation assets (note 14 and 15) | 1,431,120 | 1,164,185 |
| Total non-current assets | 1,545,324 | 1,273,748 |
| Total assets | 2,362,192 | 1,664,452 |
| Liabilities and shareholders' equity deficit | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (notes 12 and 15) | 1,338,529 | 920,346 |
| Current portion of loans payable (note 18) | 58,602 | 96,459 |
| Promissory notes (note 19) | 105,980 | 99,859 |
| Lease liability (note 11) | 32,912 | 10,869 |
| Total current liabilities | 1,536,023 | 1,127,533 |
| Long-term liabilities | | |
| Loans payable (note 18) | 655,003 | 652,863 |
| Government loan (note 20) | 29,532 | 27,405 |
| Total liabilities | 2,220,558 | 1,807,801 |
| Shareholders' equity (deficit) | | |
| Share capital (note 21) | 19,688,333 | 19,605,266 |
| Subscription received in advance (note 21) | 702,500 | - |
| Share based payment reserve (note 21) | 3,872,789 | 3,872,789 |
| Accumulated other comprehensive income | (230) | (8) |
| Deficit | (24,121,758) | (23,621,396) |
| Total shareholders' equity (deficit) | 141,634 | (143,349) |
| Total liabilities and shareholders' equity (deficit) | 2,362,192 | 1,664,452 |

-See Accompanying Notes-

Going concern (note 2)
Subsequent event (note 24)

Approved on behalf of the Board of Directors on November 29, 2022

“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, 2022 AND 2021
UNAUDITED (EXPRESSED IN CANADIAN DOLLARS)

| | Note | Three months ended | | Six months ended | |
|---|--------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | September 30, 2022 \$ | September 30, 2021 \$ | September 30, 2022 \$ | September 30, 2021 \$ |
| Expenses | | | | | |
| Research, development and investigation expense (recovery), net of government grants and assistance | 20 | 4,897 | 13,265 | 10,013 | 29,528 |
| Professional fees | | 208,914 | 8,531 | 219,649 | 13,781 |
| General and administrative expenses | 17 | 14,546 | 2,522 | 22,000 | 8,567 |
| Depreciation | 11, 13 | 16,001 | 20,445 | 31,144 | 50,129 |
| Management and consulting fees | 17 | 104,815 | 150,000 | 209,525 | 250,000 |
| Transfer, filing and listing fees | | 15,987 | 5,448 | 17,957 | 6,973 |
| Accretion of interest | 18, 20 | 26,837 | 60,898 | 57,552 | 61,792 |
| Interest expense (income) | 19 | 1,262 | (24,682) | 2,393 | 9,979 |
| Loss (gain) on foreign exchange | | (22,727) | 661 | (12,463) | 16,954 |
| | | (370,532) | (237,088) | (557,770) | (447,703) |
| Other items | | | | | |
| Gain on fair value change on ACOA Loans | 18, 20 | - | - | 57,408 | - |
| Total loss for the period | | (370,532) | (237,088) | (500,362) | (447,703) |
| Other comprehensive income | | | | | |
| Items that may be reclassified to profit and loss cumulative translation adjustment | | (194) | - | (222) | - |
| Comprehensive loss for the period | | (370,726) | (237,088) | (500,584) | (447,703) |
| Loss per share – Basic and diluted | | (0.00) | (0.00) | (0.00) | (0.01) |
| Weighted average number of outstanding common shares – Basic and diluted | | | | | |
| | | 153,337,013 | 90,528,502 | 153,337,013 | 91,422,985 |

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
UNAUDITED (EXPRESSED IN CANADIAN DOLLARS)

| | Share Capital (#) | Share Capital \$ | Subscription Received in advance \$ | Share based payment reserve \$ | Accumulated other comprehensive income \$ | Deficit \$ | Total shareholders' deficit \$ |
|--|-------------------------|------------------------|--|---|---|---------------------|---|
| 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) |
| Balance- September 30, 2021 | 112,853,313 | 17,772,651 | - | 3,872,789 | - | (23,110,006) | (1,464,566) |
| Balance- March 31, 2022 | 153,337,013 | 19,605,266 | - | 3,872,789 | (8) | (23,621,396) | (143,349) |
| Subscription received in advance | - | - | 702,500 | - | - | - | 702,500 |
| Fair value recognized for the shares issued for acquisition of mineral properties (<i>note 14</i>) | - | 83,067 | - | - | - | - | 83,067 |
| Translation adjustment | - | - | - | - | (222) | - | (222) |
| Net loss for the period | - | - | - | - | - | (500,362) | (500,362) |
| Balance- September 30, 2022 | 153,337,013 | 19,688,333 | 702,500 | 3,872,789 | (230) | (24,121,758) | 141,634 |

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
UNAUDITED (EXPRESSED IN CANADIAN DOLLARS)

| | September 30, 2022 \$ | September 30, 2021 \$ |
|---|-----------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Net loss for the period | (500,362) | (447,703) |
| Adjustments for items not involving cash: | | |
| Depreciation expense | 31,144 | 24,636 |
| Government assistance | 1,089 | (2,012) |
| Accrued interest | 56,833 | 164 |
| Unrealized gain on foreign exchange | (12,463) | (16,954) |
| Accretion of interest on lease liability | 458 | 63,805 |
| Fair value change on ACOA loans | (57,408) | - |
| Lease addition | - | 25,491 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (10,146) | 11,342 |
| Prepaid expenses | (29,894) | 3,434 |
| Accounts payable and accrued liabilities | 180,647 | 184,674 |
| Net cash used in operating activities | (340,102) | (152,912) |
| Investing activities | | |
| Acquisition of exploration and evaluation assets | (183,868) | - |
| Net cash used in investing activities | (183,868) | - |
| Financing activities | | |
| Subscription receivable | 702,500 | - |
| Private placement | - | 1,120,500 |
| Share issuance costs | - | (5,638) |
| Repayment of lease liability | (14,200) | (12,655) |
| Proceeds from (repayment of) promissory notes | 6,120 | (5,637) |
| Repayment of long-term debt | (34,104) | - |
| Net cash from financing activities | 660,316 | 1,096,570 |
| Net change in cash | 136,346 | 943,658 |
| Cash, beginning | 309,130 | 290,426 |
| Effect of change in foreign currency on cash | (222) | - |
| Cash, ending | 445,254 | 1,234,084 |
| Supplement cash flow information | | |
| Fair value recognized for shares issued for acquisition of mineral properties | 83,067 | - |

-See Accompanying Notes-

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

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.

The Company, together with its subsidiaries, is in the business of exploring mineral properties and has not yet generated revenues from operations.

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 continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of such properties, and the profitable production from or disposition of such properties. For the period ended September 30, 2022, the Company incurred losses of \$500,362 (September 30, 2021 - \$447,703). and as at September 30, 2022 had an accumulated deficit of \$24,121,758 (March 31, 2022 - \$23,621,396). The Company has negative cash flows from operations and at September 30, 2022 and had a working capital deficiency of \$719,155 (March 31, 2022 - \$736,830).

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.

In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 has had a significant impact on businesses and people through the restrictions put in place by governments of most countries regarding travel, business operations, social distancing and quarantine orders. Management continues to actively monitor the potential effects of the COVID-19 pandemic which could adversely impact the Company’s ability to raise financing for exploration or operating costs due to uncertain capital markets, country risk factors, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company’s business and financial condition.

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 be inappropriate. These adjustments could be material.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
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, 2022. 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, 2022.

The Board of Directors approved these condensed interim consolidated financial statements on November 28, 2022.

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.

The condensed interim consolidated financial statements are presented in Canadian dollars.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Graphene Corp and Ermazon SARL. 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 interim consolidated 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, 2022, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed interim consolidated 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 consolidated 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, 2022. 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
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

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.

Business combinations and asset acquisitions

Judgment is required to determine if the Company's acquisitions represent business combinations or asset purchases. More specifically, management concluded that most of the Company's acquisitions did not qualify as business combinations, as the assets acquired were not an integrated set of activities with inputs and processes capable of producing outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. For the acquisition of the subsidiary Ermazon SARL, an independent external valuation expert was involved in calculating the discount rates used to calculate the fair value of the shares issued. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

Estimate of recoverability for exploration and evaluation assets

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

5. Critical accounting estimates and judgments (continued)

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 loans 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, 2022 | March 31, 2022 |
|-------------------------------------|-------------------------------|-------------------|
| | \$ | \$ |
| Fair value through profit and loss: | | |
| Cash | 445,254 | 309,130 |
| Amortized cost: | | |
| Accounts receivable | 16,080 | 5,934 |
| | 461,334 | 315,064 |

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

| | September 30, 2022 | March 31, 2022 |
|--|-------------------------------|-------------------|
| | \$ | \$ |
| Other financial liabilities at amortized cost: | | |
| Accounts payable | 376,272 | 261,803 |
| Promissory notes | 105,980 | 99,859 |
| Loans payable | 713,605 | 749,322 |
| Government loan | 29,532 | 27,405 |
| | 1,225,389 | 1,138,389 |

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. 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.

The fair value of the Company’s receivables, accounts payable, and notes payable approximate the carrying value due to their short-term maturities. The fair values of the loans payable and government loan have 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
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

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 is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currencies. Some of the Company's business is conducted in US dollars or Euros. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar and the US dollar or Euro. Assuming all other variables remain constant, a 15% (2022 – 15%) weakening or strengthening of the US dollar against the Canadian dollar would result in approximately \$329 (2022 - \$Nil) foreign exchange loss or gain in the consolidated statement of comprehensive loss. The Company has not hedged its exposure to currency fluctuations.

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, government loan and loans payable are non-interest bearing and have contractual maturities of 30 days or less, except as otherwise noted. The loan advanced from the CFO is at a fixed interest rate. The Company's promissory notes payable bear interest at a fixed rate. As such, the Company is not exposed to interest rate risk.

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, 2022, the Company had cash of \$445,254 (March 31, 2022 - \$309,130) to settle current liabilities of \$1,536,023 (March 31, 2022 - \$1,127,533). The Company will 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 equity (deficiency), which at September 30, 2022 totaled \$141,634 (March 31, 2022 – (\$143,349)). 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.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

8. Accounts receivable

| | September 30, 2022 | March 31, 2022 |
|-----------------------|-------------------------------|-------------------|
| | \$ | \$ |
| Sales tax recoverable | 16,080 | 5,934 |
| | 16,080 | 5,934 |

9. Investments in marketable securities

| | September 30, 2022 | | March 31, 2022 | |
|--|--------------------|---------|----------------|------|
| | Fair Value | Cost | Fair Value | Cost |
| | \$ | \$ | \$ | \$ |
| Gold Lion Resources Inc. – 5,000,000 common shares (March 31, 2022 – Nil common shares) | 250,000 | 250,000 | - | - |

During the period ended September 30, 2022, the Company received 5,000,000 common shares of Gold Lion Resources Inc. (“Gold Lion”) in connection with the option agreement whereby Gold Lion had an option to acquire 25% in the mining license from Ermazon SARL (*note 15*).

10. Prepaid expenses

| | September 30, 2022 | March 31, 2022 |
|---------|-------------------------------|-------------------|
| | \$ | \$ |
| Current | 105,534 | 75,640 |
| Total | 105,534 | 75,640 |

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

11. 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. On September 1, 2021, the Company extended the lease for another twelve months until August 31, 2022. On September 1, 2022, the Company extended the lease for another twelve months until August 31, 2022. Due to the amendment, under *IFRS 16 Leases*, the amendments were treated as a lease modification.

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

11. Right of use asset and lease liability (continued)

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 |
|---------------------------------|--------------------|-----------------|
| | \$ | \$ |
| As at March 31, 2021 | 9,999 | (10,232) |
| Additions due to modification | 25,492 | (25,492) |
| Interest additions | - | (1,106) |
| Depreciation | (24,868) | - |
| Payments | - | 25,961 |
| As at March 31, 2022 | 10,623 | (10,869) |
| Interest additions | - | (458) |
| Additions due to modification | 35,785 | (35,785) |
| Depreciation | (13,604) | - |
| Payments | - | 14,200 |
| As at September 30, 2022 | 32,804 | (32,912) |

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, 2023 | 18,678 |
| Year ended March 31, 2024 | 15,565 |

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

12. Accounts payable and accrued liabilities

| | September 30, 2022 | March 31, 2022 |
|--|-----------------------|-------------------|
| | \$ | \$ |
| Accounts payable (<i>note 17</i>) | 376,275 | 261,803 |
| Accrued liabilities (<i>note 17</i>) | 962,254 | 658,543 |
| | 1,338,529 | 920,346 |

ELCORA ADVANCED MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

13. Property and equipment

| | Lab Equipment | Leasehold Improvements | Drilling equipment | Total |
|---------------------------------|--------------------------|-----------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Period ended September 30, 2022 | | | | |
| Opening net book value | 2,954 | - | 95,986 | 98,940 |
| Additions | - | - | - | - |
| Depreciation for the period | (988) | - | (16,552) | (17,540) |
| Closing net book value | 1,966 | - | 79,434 | 81,400 |
| At September 30, 2022 | | | | |
| Cost | 401,797 | 57,039 | 231,731 | 690,567 |
| Accumulated depreciation | (399,831) | (57,039) | (152,297) | (609,167) |
| Closing net book value | 1,966 | - | 79,434 | 81,400 |
| Year ended March 31, 2022 | | | | |
| Opening net book value | 36,496 | - | 129,091 | 165,587 |
| Additions | - | - | - | - |
| Depreciation for the year | (33,542) | - | (33,105) | (66,647) |
| Closing net book value | 2,954 | - | 95,986 | 98,940 |
| At March 31, 2022 | | | | |
| Cost | 401,797 | 57,039 | 231,731 | 690,567 |
| Accumulated depreciation | (398,843) | (57,039) | (135,745) | (591,627) |
| Closing net book value | 2,954 | - | 95,986 | 98,940 |

14. Asset acquisition

Ermazon SARL

On November 19, 2021, the Company entered into a share purchase agreement with an arm's length third party ("Assignor") to acquire all of the issued and outstanding common shares of Ermazon SARL ("Ermazon"), a private Moroccan corporation that holds twelve mining titles in different regions of the Kingdom of Morocco.

In consideration for the acquisition of Ermazon, the Company paid the following:

- (i) \$636,530 cash (US\$500,000) (paid November 24, 2021); and
- (ii) 4,500,000 common shares of the Company (issued December 20, 2021) (*Note 21*)

In addition, the Company is obliged to pay US\$5,000 in remuneration at the end of each month until the end of the employment period to the Assignor. The same remuneration will be paid to the representative of the Assignor.

The 4,500,000 common shares were issued with a fair value of \$196,900. The fair value considered a discount for lack of marketability using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction. The shares to be issued will vest to the Assignor over a period of three years, at the rate of one thirty-sixth at the end of each month starting from the date of obtaining the exploitation licenses for each exploration permit. The value of the shares is to be amortized over a year from issuance, as management expects that all the exploitation licenses will be granted over a one-year period. As a result, the Company has amortized \$132,292 to exploitation and evaluation assets as of September 30, 2022.

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14. Asset acquisition (continued)

The acquisition has been accounted for by the Company as a purchase of an asset as the acquisition did not meet the definition of a business in accordance with IFRS 3 – Business Combinations.

| | \$ |
|--|----------------|
| Consideration paid: | |
| Cash | 636,530 |
| Fair value of 4,500,000 common shares issued | 132,292 |
| Acquisition related costs | 51,653 |
| | 820,475 |
| Net assets acquired: | |
| Exploration and evaluation assets | 820,475 |

15. Exploration and evaluation assets

Exploration and evaluation assets comprise the following accumulated expenditures:

| | Ermazon \$ |
|---------------------------------|------------------|
| Acquisition costs | |
| Balance, March 31, 2022 | 737,408 |
| Addition (<i>note 14</i>) | 83,067 |
| Total | 820,475 |
| Exploration costs | |
| Balance, March 31, 2022 | 358,418 |
| Geological / geophysical | 43,921 |
| Licenses | 12,336 |
| Travel | 3,005 |
| Salaries and consulting | 76,286 |
| Supplies and miscellaneous | 9,523 |
| Foreign exchange | 11,249 |
| Total | 514,738 |
| Value added tax | 95,907 |
| Total September 30, 2022 | 1,431,120 |

The value added sales taxes paid to the government of Morocco is recorded when paid. When there is reasonable assurance that the Company will be able to obtain a refund of IVA taxes, the amounts received by the Company will be credited to the cost of the properties.

On September 19, 2022, the Company and Gold Lion entered into a mineral option agreement (“Option Agreement”) whereby Gold Lion has an option to acquire up to 50% interest in a mining license from Ermazon SARL, a wholly owned subsidiary of the Company. On execution of the Option Agreement, Gold Lion has acquired a 25% interest in the license by making a cash payment of \$75,000 (including any amounts previously paid by Gold Lion as a deposit) and by issuing 5,000,000 common shares (*note 9*). Gold Lion has an option to: (1) acquire a further 15% interest in the license (for a total interest of 40%) by making a cash of payment of \$125,000 within five business days of receiving notice that Ermazon SARL has secured the exploitation license of the manganese concession; and (2) acquire a further 10% interest in the license (for a total interest of 50%) by making an additional cash payment of \$50,000 within 15 business days of receiving notice of anticipated commencement of commercial production on the license. Subsequent to period end, the Company and Gold Lion mutually agreed to rescind the Option Agreement, and the Company returned to Gold Lion the \$75,000 deposit paid and the 5,000,000 common shares of Gold Lion (Note 24). As a result, the Company recorded the \$75,000 and 5,000,000 common shares of Gold Lion in accounts payable at September 30, 2022.

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16. 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, 2022 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 condensed interim consolidated financial statements.

During 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, 2022 and year ended March 31, 2022.

17. 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, 2022 | September 30, 2021 |
|--|-------------------------------|-----------------------|
| | \$ | \$ |
| Consulting fees to the CEO and CFO | 200,000 | 200,000 |
| Consulting fees to a company jointly controlled by the CFO | 9,525 | - |
| Total | 209,525 | 200,000 |

As at September 30, 2022, total amounts payable to directors and companies owned thereby and recorded in accounts payable and accrued liabilities were \$637,229 (March 31, 2022 - \$473,428) (Note 12). All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand. During the year ended March 31, 2022, a director of the Company participated in the private placements and acquired 1,100,000 common shares of the Company at \$0.05 per unit.

Promissory notes are also due to related parties (Note 19).

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18. Loans payable

| | September 30, 2022 | March 31, 2022 |
|---|-------------------------------|-------------------|
| | \$ | \$ |
| 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, 2022, the total amount drawn down on the loan is \$202,650 (March 31, 2022 - \$202,650) | 74,623 | 84,712 |
| 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, 2022, the total amount drawn down on the loan is \$1,265,536 (March 31, 2022 - \$1,265,536) | 638,982 | 664,610 |
| | 713,605 | 749,322 |
| Less: Current portion | (58,602) | (96,459) |
| | 655,003 | 652,863 |

Based on management’s analysis as at September 30, 2022, the fair value of the loans was \$713,605 (March 31, 2022- \$749,322). The Company estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 15% (March 31, 2022 – 15%). On May 27, 2022, due to the effects of COVID-19, the repayment schedule for both ACOA Loan 1 and Loan 2 was halted until further notice, and is currently reassessed on a monthly basis by the lender.

The minimum annual principal repayments of long-term debt under the contracts over the next five years from September 30, 2022 are as follows:

| Year ending | \$ | |
|----------------|---------|--|
| March 31, 2023 | 91,002 | |
| March 31, 2024 | 141,204 | |
| March 31, 2025 | 141,204 | |
| March 31, 2026 | 141,204 | |
| March 31, 2027 | 141,204 | |
| | 655,818 | |

| | September 30, 2022 | March 31, 2022 |
|--|-------------------------------|-------------------|
| | \$ | \$ |
| Balance – Beginning | 749,323 | 783,061 |
| Fair value adjustment resulting from amended terms | (53,517) | (151,804) |
| Accreted interest | 51,903 | 118,065 |
| Repayment of debt | (34,104) | - |
| Balance – End | 713,605 | 749,321 |
| Less: Current portion | (58,602) | (96,459) |
| Non-current portion | 655,003 | 652,863 |

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19. Promissory notes

A promissory note due to the Company's CEO is as follows:

| | September 30, | March 31, |
|---------------------------------|----------------------|-----------|
| | 2022 | 2022 |
| | \$ | \$ |
| Balance – Beginning of the year | 52,165 | 52,165 |
| Repayment | (9,500) | - |
| Additions | 13,681 | - |
| Balance – End of the period | 56,346 | 52,165 |

The promissory note due to the Company's CEO is non-interest bearing, due on demand and unsecured.

Promissory notes due to a company related to the Company's CFO is as follows:

| | September 30, | March 31, |
|---------------------------------|----------------------|-----------|
| | 2022 | 2022 |
| | \$ | \$ |
| Balance – Beginning of the year | 47,694 | 332,313 |
| Repayment | - | (300,000) |
| Accrued interest | 1,940 | 15,381 |
| Balance – End of the period | 49,634 | 47,694 |

The loan bears 8% interest per year, compounded on a monthly basis.

20. Government Loan

During the year ended March 31, 2021, the Company received \$40,000 from the Government of Canada in respect of 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. During the year ended March 31, 2022, the Government of Canada extended the CEBA deadline to December 31, 2023.

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 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, 2022, the Company recorded \$2,127 (2021 - \$1,832) in accretion.

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20. Government Loan (continued)

| | Government loan |
|-------------------------------------|------------------------|
| Balance – March 31, 2021 | \$ 23,610 |
| Accretion | 3,795 |
| Balance – March 31, 2022 | \$ 27,405 |
| Accretion | 2,127 |
| Balance – September 30, 2022 | \$ 29,532 |

21. Share capital and reserves

Authorized capital stock

Unlimited common shares without nominal or par value

Shares Issued for the period ended September 30, 2022

Pursuant to the acquisition of Ermazon (*note 14*), the Company recognized \$83,067 of the fair value of the common shares issued during the period ended September 30, 2022

The Company received \$702,500 for subscriptions received in advance for the private placement occurred subsequent to the period on October 11, 2022 (Note 24).

Shares issued for the year ended March 31, 2022

During the year ended March 31, 2022, the Company completed a private placement of 58,393,700 units at \$0.05 per unit, for gross proceeds of \$2,919,685. Each unit consists of one common share and one share purchase warrant. Each warrant will be exercisable for an additional share at a price of \$0.20 for a period of eighteen 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 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 1,110,000 units. The Company paid share issuance costs of \$21,433 in relation to the private placement. No value was assigned to the warrants based on the residual method.

On December 20, 2021, the Company issued 4,500,000 common shares of the Company with a fair value of \$196,900 to acquire 100% of Ermazon (*note 14*). The fair value of the common shares will be amortized over an one year period, with \$49,225 recorded as of March 31, 2022.

Warrants

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

| | September 30, 2022 | | March 31, 2022 | |
|-------------------|---------------------------|--|---------------------------|--|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Beginning balance | 58,393,700 | \$ 0.20 | - | \$ - |
| Issued | - | - | 58,393,700 | \$ 0.20 |
| Ending balance | 58,393,700 | \$ 0.20 | 58,393,700 | \$ 0.20 |

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21. Share capital and reserves (continued)

As at September 30, 2022, 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 | 0.48 |
| 35,983,700 | \$ 0.20 | April 8, 2023 | 0.52 |

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, 2022:

| | Number of options # | Weighted average exercise price \$ |
|--|----------------------------|---|
| Balance – Exercisable at March 31, 2021 | 4,250,000 | 0.09 |
| Expired | (800,000) | - |
| Balance – Exercisable at March 31, 2022 | 3,450,000 | 0.09 |
| Expired | (500,000) | - |
| Balance – Exercisable at September 30, 2022 | 2,950,000 | 0.08 |

On January 22, 2021, the Company granted 1,700,000 stock options which is 100% vested immediately with an exercise price of \$0.11 per share expiring on January 22, 2026. The fair value of the stock options was estimated to be \$131,575 using the Black-Scholes Option Pricing model with the following assumptions: term – 5 years; expected volatility - 136%; risk-free rate - 0.36%; and expected dividends - zero.

On January 29, 2021, the Company granted 1,500,000 stock options which is 100% vested immediately with an exercise price of \$0.07 per share expiring on January 26, 2026. The fair value of the stock options was estimated to be \$89,578 using the Black-Scholes Option Pricing Model with the following assumptions: term – 4 years; expected volatility - 145%; risk-free rate - 0.34%; and expected dividends - zero.

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2022 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 | 2,950,000 | 1.35 | 0.08 | 2,950,000 | 0.08 |

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21. Share capital and reserves (continued)

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.

22. Foreign currency translation reserve

The foreign currency translation reserve records the unrealized translation gains and losses in the translation of the subsidiary Ermazon from its functional currency of US dollar to Canadian dollar. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date). Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction.

23. Segmented information

The Company operates in one business segment, being the exploration and development of mineral properties. Geographical information is as follows:

| | | |
|--|----------------------|-----------|
| Loss and comprehensive loss for the period ended September 30, | 2022 | 2021 |
| | \$ | \$ |
| Graphene Corp. (Canada) | 43,488 | 48,730 |
| Corporate (Canada) | 456,874 | 398,895 |
| | 500,362 | 447,625 |
| Exploration and evaluation assets, as at, | September 30, | March 31, |
| | 2022 | 2021 |
| | \$ | \$ |
| Ermazon SARL (Morocco) | 1,431,120 | 1,164,185 |
| | 1,431,120 | 1,164,185 |

24. Subsequent Events

The Company and Gold Lion have mutually agreed to rescind the Option Agreement for Gold Lion to purchase up to 50% interest in the Manganese concession. As a result, the Company returned the 5,000,000 common shares of Gold Lion and the cash payment of \$75,000 for the initial 25% interest in the license subsequent to period end.

On October 19, 2022, the Company closed a private placement of 14,040,000 units at prices of \$0.05 per unit for gross proceeds of \$702,000 to various purchasers. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of \$0.20 per warrant share for a period of eighteen months from the date of issuance.