



**ELCORA ADVANCED MATERIALS CORP.**  
(FORMERLY ELCORA RESOURCES CORP.)

**Consolidated Financial Statements**

For the years ended March 31, 2016 and 2015



June 28, 2016

## **Independent Auditor's Report**

### **To the Shareholders of Elcora Advanced Materials Corp.**

We have audited the accompanying consolidated financial statements of **Elcora Advanced Materials Corp.** and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Elcora Advanced Materials Corp. and its subsidiaries as at March 31, 2016 and March 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to note 2 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Elcora Advanced Materials Corp.'s ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

#### **Chartered Accountants**

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2016 AND MARCH 31, 2015  
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2016	March 31, 2015
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	134,242	33,476
Investment in marketable securities	15,235	210,974
Accounts receivable (note 9)	63,268	6,906
Prepaid expenses (note 10)	529,140	35,741
	<b>741,885</b>	<b>287,097</b>
<b>Non-current assets</b>		
Investment in Joint Venture (note 13)	7,573,137	6,974,969
Property and equipment (note 12)	165,266	-
<b>Total assets</b>	<b>8,480,288</b>	<b>7,262,066</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	472,332	472,586
<b>Total liabilities</b>	<b>472,332</b>	<b>472,586</b>
<b>Shareholders' equity</b>		
Share capital (note 16)	11,067,378	7,173,780
Contributed surplus and other (note 16)	3,374,849	2,514,921
Accumulated other comprehensive income	388,533	919,850
Deficit	(6,822,804)	(3,819,071)
<b>Total shareholder's equity</b>	<b>8,007,956</b>	<b>6,789,480</b>
<b>Total liabilities and shareholder's equity</b>	<b>8,480,288</b>	<b>7,262,066</b>

*-See Accompanying Notes-*

Nature of business and going concern (notes 1 & 2)  
Subsequent events (note 18)

**Approved on behalf of the Board of Directors on June 27, 2016**

*"Troy Grant"*

Director

*"Denis Choquette"*

Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015  
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2016 \$	March 31, 2015 \$
<b>Expenses (Income)</b>		
Property investigation	-	53,150
Research & Development	525,052	-
Professional fees	157,257	127,892
Other supplies and services	87,211	65,573
Management and consulting fees	739,937	536,945
Transfer, filing and listing fees	72,722	35,657
Investor relations expense	63,133	350,858
Stock-based compensation (note 16)	837,157	23,990
Interest paid	53,305	-
Interest revenue	(796)	(523)
Realized & unrealized loss on marketable securities	205,155	435,404
Write-down (recovery) of E&E assets	(2,600)	340,600
Share of loss in joint venture (note 13)	257,906	328,193
Realized & unrealized loss (gain) on foreign exchange	8,294	(13,642)
Income tax recovery (note 14)	-	(11,250)
<b>Loss for the year</b>	<b>(3,003,733)</b>	<b>(2,272,847)</b>
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>		
Annual translation adjustment	(531,317)	919,850
<b>Comprehensive loss for the year</b>	<b>(3,535,050)</b>	<b>(1,352,997)</b>
<b>Loss per share</b>		
Basic and diluted loss per share	(0.06)	(0.06)
Weighted average number of outstanding common shares – Basic and diluted	53,882,561	38,267,491

-See Accompanying Notes-

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital (\$)	Contributed Surplus and other (\$)	Accumulated other Comprehensive income (\$)	Deficit (\$)	Total shareholders' equity (\$)
<b>Balance - March 31, 2015</b>	<b>42,553,633</b>	<b>7,173,780</b>	<b>2,514,921</b>	<b>919,850</b>	<b>(3,819,071)</b>	<b>6,789,480</b>
Net loss and comprehensive loss for the year	-	-	-	-	(3,003,733)	(3,003,733)
Annual translation adjustment	-	-	-	(531,317)	-	(531,317)
<b>Comprehensive loss</b>	-	-	-	(531,317)	(3,003,733)	(3,535,050)
Stock based compensation	-	-	837,157	-	-	837,157
Shares issued for cash	20,906,001	2,926,840	-	-	-	2,926,840
Share issuance costs	-	(63,053)	34,582	-	-	(28,471)
Options exercised for cash	80,000	23,811	(11,811)	-	-	12,000
Warrants exercised	5,808,333	1,006,000	-	-	-	1,006,000
<b>Balance - March 31, 2016</b>	<b>69,347,967</b>	<b>11,067,378</b>	<b>3,374,849</b>	<b>388,533</b>	<b>(6,822,804)</b>	<b>8,007,956</b>
						-
<b>Balance - March 31, 2014</b>	<b>22,453,163</b>	<b>1,989,416</b>	<b>131,034</b>	<b>-</b>	<b>(1,546,224)</b>	<b>574,226</b>
Net loss and comprehensive loss for the year	-	-	-	-	(2,272,847)	(2,272,847)
Annual translation adjustment	-	-	-	919,850	-	919,850
<b>Comprehensive (income) loss</b>	-	-	-	919,850	(2,272,847)	(1,352,997)
Stock-based compensation	-	-	23,990	-	-	23,990
Shares issued for cash	11,609,518	2,357,725	-	-	-	2,357,725
Shares issued for agent and finders' fees	266,010	71,190	-	-	-	71,190
Shares issued for debt	1,062,500	170,000	-	-	-	170,000
Shares issued for investment in associate	6,827,442	2,730,977	-	-	-	2,730,977
Share issuance costs	-	(201,846)	95,349	-	-	(106,497)
Agent options exercised	300,000	45,818	(15,818)	-	-	30,000
Warrants exercised	35,000	10,500	-	-	-	10,500
Warrants issued for investments in associate	-	-	2,280,366	-	-	2,280,366
<b>Balance - March 31, 2015</b>	<b>42,553,633</b>	<b>7,173,780</b>	<b>2,514,921</b>	<b>919,850</b>	<b>(3,819,071)</b>	<b>6,789,480</b>

ELCORA ADVANCED MATERIALS CORP.-5

(FORMERLY ELCORA RESOURCES CORP.)

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015  
EXPRESSED IN CANADIAN DOLLARS

	March 31, 2016 \$	March 31, 2015 \$
<b>Cash flows from operating activities</b>		
Net loss for the periods	(3,003,733)	(2,272,847)
Adjustments for items not involving cash:		
Deferred tax recovery	-	(11,250)
Stock-based compensation	837,157	23,990
Share of loss in investment in associate	257,906	328,193
Realized & Unrealized loss on marketable securities	205,155	435,404
Unrealized loss (gain) on foreign exchange	5,394	(2,602)
Write-down (recovery) of exploration & evaluation assets	(2,600)	340,600
<b>Changes in non-cash working capital items:</b>		
Increase in accounts receivable	(56,360)	24,885
Increase in prepaid expenses	(493,400)	59,414
Increase (decrease) in accounts payable and accrued liabilities	19,554	242,538
Net cash used for operating activities	(2,230,927)	(831,675)
<b>Investing activities</b>		
Investment in Joint Venture	(1,402,206)	(1,371,968)
Acquisition of equipment	(135,398)	-
Exploration and evaluation assets	-	(45,900)
Proceeds on sale of marketable securities	-	110,318
	(1,537,604)	(1,307,550)
<b>Financing activities</b>		
Proceeds on issuance of common shares and warrants	2,926,840	1,695,325
Proceeds on exercise of options	12,000	-
Proceeds on exercise of warrants	1,006,000	40,500
Share issuance costs	(75,543)	(35,307)
	3,869,297	1,700,518
Net increase (decrease) in cash	100,766	(438,707)
Cash, beginning of the period	33,476	472,183
<b>Cash end of the periods</b>	<b>134,242</b>	<b>33,476</b>

**Supplemental disclosure with respect to cash flows - Note 17**

*-See Accompanying Notes-*

## 1. Nature of business

Elcora Resources Corp. and its subsidiary were incorporated pursuant to the Canada Business Corporations Act on June 6, 2011 and its common shares are listed on the TSX Venture Exchange under the trading symbol ERA. Effective February 03, 2016 Elcora changed its name from Elcora Resources Corp. to **Elcora Advanced Materials Corp** (the “Company” or “Elcora”). The Company is also listed on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group under the symbol ECORF. The Company’s head office is located at 111 Ahmadi Crescent, Bedford, Nova Scotia, B4A 4E5, Canada. Elcora has been structured as a vertically integrated graphite & graphene company that mines, processes, refines graphite and produces both the graphene and end graphene applications. Elcora is advancing its vertical integration business model in graphite and graphene production. The core business is currently shifting from a focus on mining and exploration to advanced material research and production.

## 2. Going concern

The Company's continuing operations and the underlying value and recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration property interests, and on future profitable production or proceeds from the disposition of the exploration property interests. To date, the Company has not earned any revenue.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which the option holder has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the option holder’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

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

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the year ended March 31, 2016, the Company incurred losses of \$3,003,733 (2015 - \$2,272,847) and as at March 31, 2016 had an accumulated deficit of \$6,822,804 (March 31, 2015 - \$3,819,071). The Company has no income or cash flows from operations and at March 31, 2016 had a working capital of \$269,553 (March 31, 2015 – deficit of \$185,489). The ability of the Company to fulfill its commitments, meet its planned business objectives and continue as a going concern is dependent upon the ability of the Company to raise additional financing and upon successful results from its mineral property acquisitions and exploration activities. There is no assurance that these initiatives will be successful.

### 3. Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as set out in the Chartered Professional Accountants of Canada Handbook – Accounting – Part I (“CPA Canada Handbook”). The accounting policies were consistently applied to all years presented.

The consolidated financial statements were approved by the Board of Directors for issue on June 27, 2015.

#### Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical-cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

#### Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. Graphene Corp. was newly incorporated during the year.

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Significant Subsidiaries (Consolidated) - ownership</b>		
Graphene Corp.	100%	-

### 4. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

#### a) Foreign currency translation

Items included in the consolidated financial statements of each entity included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars. Assets and liabilities of each foreign entity are translated into Canadian dollars at the exchange rate in effect on the balance sheet date. Revenue and expenses are translated at the average rate in effect during the period. Unrealized translation gains and losses are recorded as a cumulative translation adjustment, which is included in other comprehensive income or loss, which is a component of accumulated other comprehensive income or loss included in shareholders' equity. The functional currency of the investment in the joint arrangement with Sakura Graphite (PVT) Ltd is the Sri Lankan rupee. All other entities have a Canadian dollar functional currency.

Foreign currency transactions denominated in a currency other than an entity's functional currency are re-measured into the functional currency with any resulting gains and losses included in income, except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature.

#### b) Cash and restricted cash

Cash includes cash on hand with banks.

#### 4. Summary of significant accounting policies (continued)

##### c) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

- (i) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- (ii) **Financial assets at fair value through profit or loss:** Financial assets at fair value through profit or loss are any financial assets that are designated on initial recognition to be measured at fair value with fair value changes in profit or loss. The Company's financial assets at fair value through profit or loss comprise marketable securities, which are initially measured at fair value and subsequently re-measured based on publicly quoted market prices in an active market at the end of each reporting period.
- (iii) **Other financial liabilities at amortized cost:** Other financial liabilities include accounts payable and accrued liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

##### d) Impairment of financial instruments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. The criteria used to determine if there is objective evidence of an impairment loss include:

- (i) Significant financial difficulty of the obligor;
- (ii) Delinquencies in interest or principal payments; and
- (iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Company recognizes an impairment loss on financial assets carried at amortized cost as the difference between the carrying amount of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

#### **4. Summary of significant accounting policies (continued)**

##### **e) Exploration and evaluation assets**

Exploration and evaluation expenditures include costs such as acquisition of rights to explore, geological, geochemical, and geophysical studies, exploratory drilling, trenching, sample testing and the costs of pre-feasibility studies. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option. These costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of a project is considered to be determinable when the costs are expected to be recovered in full through the successful development and exploration of the identified property. All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Exploration and evaluation assets are not depreciated. These amounts are reclassified from exploration and evaluation assets to development costs, once the work completed to date supports the future development of the property and such development receives the appropriate approval. All subsequent expenditures to ready the property for production are capitalized within development costs, other than those costs related to the construction of property and equipment. Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as general exploration and due diligence expense in the consolidated statement of loss and comprehensive loss in the period in which they are incurred.

##### **f) Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

#### **4. Summary of significant accounting policies (continued)**

##### **h) Share-based payments**

The Company records stock-based compensation expense for stock options granted to directors, officers and consultants using the fair value method. Option terms and vesting conditions are at the discretion of the Board of Directors. The fair value of each installment of stock options granted is determined using the Black-Scholes option pricing model. Stock-based compensation expense is calculated for each installment over the vesting period based on the number of stock options expected to vest. Stock-based compensation expense is recorded in the consolidated statements of loss and comprehensive loss with a corresponding increase to contributed surplus. Forfeiture estimates are based on historic information and reviewed at each reporting date, with any impact being recognized immediately in the consolidated statements of loss and comprehensive loss. When stock options are exercised the consideration received and the amount previously recognized in contributed surplus is recorded as an increase to share capital.

##### **i) Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case income tax is also recognized directly in equity or other comprehensive income, respectively

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the consolidated statements of financial position and will apply when the deferred tax asset or liability is expected to be settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

##### **j) Warrants**

The Company makes certain estimates and assumptions when calculating the estimated fair value of warrants issued for properties and investment. The significant assumptions used include the estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. The warrants issued as part of the private placement as units are valued using the residual method. When warrants are exercised the consideration received and, if any, the amount previously recognized in contributed surplus is recorded as an increase to share capital.

##### **k) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

#### **4. Summary of significant accounting policies (continued)**

##### **l) Flow-through shares**

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the value of the Company's non-flow-through shares and the amount the investor pays for the flow-through shares (given no other differences between securities). This flow-through premium liability is reduced pro rata through the consolidated statements of loss and comprehensive loss as eligible expenditures are incurred.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

##### **m) Loss per share**

The Company presents basic and diluted loss per share date for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. All stock options and warrants are currently anti-dilutive. As a result, basic and diluted earnings per share are the same.

##### **n) Segmented information**

The Company's operations comprise a single reporting operating segment, which is the acquisition and exploration for minerals, previously gold and currently primarily graphite. As the operations comprise a single reporting segment, amounts disclosed in the consolidated statements of loss and comprehensive loss for the years also represent segment amounts. At March 31, 2016, all of the Company's mineral properties are located in Sri-Lanka and are included in the investment in joint venture (see note 13).

##### **o) Joint arrangements**

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Company has assessed the nature of its joint arrangement in Sakura Graphite (PVT) Ltd and determined it to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company.

## 5. Recent accounting pronouncements

### New and amended standards adopted by the Company

The following standard has been adopted by the Company for the financial year which began on April 1, 2015:

#### IFRIC 21, Levies

IFRIC 21 “Levies” (“IFRIC 21”) has been amended to require entities to recognize a liability when payment is triggered under the terms of the relevant legislation. The Company adopted IFRIC 21 on April 1, 2015 on a retrospective basis. The adoption of IFRIC 21 had no impact on these consolidated financial statements.

### New standards and interpretations not yet adopted

The following new standards and amendments to these standards are not yet effective and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below.

#### IFRS 9, Financial Instruments

IFRS 9, “Financial instruments” (“IFRS 9”) introduces new requirements for the classification and measurement of financial assets. IFRS 9 required all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity’s own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

#### IFRS 16, Leases

IFRS 16, “Leases” (“IFRS 16”) a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company’s consolidated financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

## 6. Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### *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

### *Share-based compensation*

The inputs used for share-based compensation calculation. The Company provides compensation benefits to its consultants, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the Company's share price. Historical data is utilized to estimate option exercises and forfeiture behavior with the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

### *Valuation of warrants*

During the year March 31, 2015 the Company issued 6,827,442 warrants in connection with the investment in the Sakura Graphite (PVT) Ltd joint venture. The fair value of the warrants was estimated on the date of the issuance using the Black-Scholes option pricing model. The significant assumption used is the estimate of expected volatility. Expected volatility is based on historical volatility of the Company's share price and other comparable companies. Based on these considerations, a volatility of 100% was used to value the warrants. Changes in this assumption may result in a material change to the value of the warrants issued. If expected volatility was increased or decreased by 20%, the impact would be an increase or decrease, respectively, to contributed surplus and other of approximately \$140,000 or \$180,000, and an increase or decrease, respectively, to Investment in joint venture of the same amounts.

## 7. Financial instruments and fair values

### Measurement categories

As explained in note 4 of the Company's audited consolidated financial statements for the year ended March 31, 2016, the financial assets and liabilities have been classified into categories that determine their basis of measurement. All loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying value of cash, restricted cash, accounts payable and accrued liabilities approximate their fair value due to their short-term maturities. 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.

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.

#### (a) Market risk

##### *i) Foreign exchange risk*

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. The investment in the joint venture is measured in Sri Lankan rupees, which is the functional currency of the joint venture. Changes in the value of the Sri Lankan rupee computed to the Canadian dollar impact the carrying amount of the interest in the joint venture. An increase or decrease of 1% of the value of the Canadian dollar at March 31, 2016 would result in an increase of \$ 70,000 or decrease of \$75,000, respectively, to the value of the joint venture with an offsetting credit or charge to other comprehensive income.

##### *ii) Interest rate risk*

The Company's accounts payable and accrued liabilities are non-interest bearing and have contractual maturities of 30 days or less. As at March 31, 2016, the Company does not have cash equivalents.

##### *iii) Price risk*

The Company is exposed to price risk as it relates to its investment in marketable securities. At March 31, 2016, a 5% change in the quoted price of marketable securities would impact net income by \$762 (March 31, 2015 - \$10,549). The Company is not exposed to any other direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

#### (b) Credit risk

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

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

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**7. Financial instruments and fair values (continued)**

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at March 31, 2016, the Company had cash of \$134,242 (March 31, 2015 - \$33,476) to settle current liabilities of \$472,338 (March 31, 2015 - \$472,586). See note 2.

**8. Capital management**

The Company attempts to manage its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total shareholder's equity, which at March 31, 2016 totaled \$8,007,956 (March 31, 2015 - \$6,789,480). 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.

**9. Accounts receivable**

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Sales tax recoverable	<b>63,268</b>	6,906

Sales tax was received subsequent to March 31, 2016.

**10. Prepaid expenses**

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Consultants	<b>434,405</b>	8,333
Lab equipment	<b>58,474</b>	-
Other	<b>36,261</b>	27,408
	<b>529,140</b>	35,741

**11. Accounts payable and accrued liabilities**

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Accounts payable	<b>157,491</b>	121,477
Accrued liabilities	<b>314,841</b>	351,109
	<b>472,332</b>	472,586

As at March 31, 2016, \$25,984 (March 31, 2015 - \$161,478) of accounts payable and accrued liabilities is due to related parties, relating to their services to the Company.

## 12. Property and Equipment

	Lab Equipment \$
<b>Year ended March 31, 2016</b>	
Opening net book value	-
Additions	165,266
<b>Closing net book value</b>	<b>165,266</b>

The assets and equipment acquired for graphene processing in Graphene Corp. are not ready for intended use as at March 31, 2016, and therefore these assets were not depreciated.

## 13. Investment in Joint Venture

On June 30, 2014, Elcora completed the purchase of 40% of the issued and outstanding shares of Sakura Graphite (PVT) Ltd of Sri Lanka ("Sakura"). The remaining 60% of Sakura is owned by J.D.K. Wickramaratne, through his wholly owned company KWA Holdings (Private) Ltd. ("KWA"). No finders' fee was paid in connection with the Transaction. Pursuant to the Transaction, Elcora has issued a total 6,827,442 common shares of Elcora to shareholders of Sakura on the closing date of June 30, 2014. The closing price of Elcora shares on June 30, 2014 was \$0.40, for an implied value of \$2,730,977. Elcora also issued 6,827,442 warrants to the shareholders of Sakura to purchase common shares of Elcora (the "Warrants"). Each Warrant entitles the holder of such Warrant to purchase one common share of Elcora at a price of \$0.19 for a period of 5 years. Based on the Black-Scholes valuation model at June 30, 2014, a value of \$2,280,366 was attributed to the Warrants. The aggregate initial purchase price of the investment was \$5,077,592, including acquisition costs of \$66,253.

### Sakura Joint Venture

Sakura operates the Sakura Graphite Mine located on Sakura's leased plots totaling 70 acres in Sri Lanka (the "Mine"). The industrial mining license, exploration licenses and environmental license for the Mine are currently being held by J.D.K. Wickramaratne for the sole benefit of Sakura and will be transferred to Sakura upon renewal. The CEO of Sakura is the current CEO of Elcora and the Chairman of the Board of Directors of Sakura is Mr. Wickramaratne or any other director appointed by Mr. Wickramaratne to the Board of Directors of Sakura. Sakura can have up to 10 directors, of which 60% are appointed by KWA and 40% by Elcora. All decisions of the Board of Directors shall require a minimum of 70% approval of all the Directors.

Elcora will earn 20% of the net income from the Mine as the Mine operator, and an additional 30% of the net income from the Mine 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 put the Mine back into commercial production, not to exceed US\$12 million, over the period through October 31, 2016. US\$2.0 million has been funded as of March 31, 2016 and the Company believe that it won't require the entire amount to put the mine back into commercial production.

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.

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**13. Investment in Joint Venture (continued)**

Investment in Joint Venture	March 31, 2016	March 31, 2015
	\$	\$
Opening Balance - June 30, 2014	-	5,077,592
Opening Balance - April 1, 2015	6,754,575	-
Investments in Sakura	1,402,206	1,085,326
Share of loss	(257,906)	(328,193)
Annual translation gain (loss)	(531,317)	919,850
	<u>7,367,558</u>	<u>6,754,575</u>
Advances receivable from Sakura	205,579	220,394
	<u>7,573,137</u>	<u>6,974,969</u>

Summarized financial information in respect of the Company's Sakura joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements adjusted for differences in accounting policies between the Company and fair value adjustments required related to the Company's investment in the joint venture (and not the Company's share of those amounts). The functional currency of the Sakura joint venture is the Sri Lankan rupee. Amounts below have been translated to Canadian dollars in accordance with the Company's accounting policy on foreign currency translation.

**Summary Statements of Earnings and Comprehensive (loss) Income**

	March 31, 2016	For period, from acquisition, June 30, 2014 to March 31, 2015
	\$	\$
Operating, general and administration expenses	607,552	749,106
Depreciation and amortization	37,212	71,376
Net loss and comprehensive loss	<u>644,764</u>	<u>820,482</u>

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**13. Investment in Joint Venture (continued)**

**Summary Statements of Financial Position**

As at	March 31, 2016	March 31, 2015
	\$	\$
Cash	256,226	263,155
<b>Current assets</b>	<b>256,226</b>	<b>263,155</b>
Non-current assets	18,393,221	16,864,544
	<b>18,649,447</b>	<b>17,127,699</b>
Accounts payable and other payables	24,973	20,873
<b>Current Liabilities</b>	<b>24,973</b>	<b>20,873</b>
Non-current liabilities	205,579	220,388
Shareholder's equity	18,418,895	16,886,437
	<b>18,649,447</b>	<b>17,127,699</b>

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

As at	March 31, 2016	March 31, 2015
	\$	\$
Net assets of the joint venture (JV)	18,418,895	16,886,437
Proportion of the Corporation's ownership interest in the JV	40%	40%
Carrying amount of the Corporation's interest in the JV	<b>7,367,558</b>	<b>6,754,575</b>

**14. Income taxes**

**a) Losses**

The Company has capital losses of \$267,000 which are carried forward to reduce future taxable capital gains. The Company has non-capital tax losses, which include certain deductions for share issue costs of approximately \$4,443,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

Year ending	\$
March 31, 2032	<b>47,000</b>
March 31, 2033	<b>330,000</b>
March 31, 2034	<b>1,081,000</b>
March 31, 2035	<b>1,220,000</b>
March 31, 2036	<b>1,909,000</b>
	<b>4,587,000</b>

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**14. Income taxes (continued)**

**b) Effective income tax rate**

At March 31, 2016 and March 2015, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax net loss for the period. The reasons for the difference are as follows:

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Loss before income taxes	3,003,733	2,284,094
Income tax recovery based on statutory rates	<b>931,157</b>	708,069
Non-deductible stock option expense	<b>(259,519)</b>	(7,437)
Unrealized gains and losses	<b>(61,581)</b>	(130,746)
Share of loss in joint venture	<b>(79,951)</b>	(101,740)
Write down of exploration & evaluation assets	<b>806</b>	(105,586)
Pro-rata reduction of flow-through premium liability	-	11,250
Unrecorded tax benefit of losses	<b>(530,912)</b>	(362,560)
<b>Recovery of income taxes</b>	<b>-</b>	<b>11,250</b>

**c) Deferred tax assets and liabilities**

The following reflects the deferred tax assets and liabilities at March 31, 2016 and March 31, 2015:

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
<b>Deferred tax assets</b>		
Non-capital losses	<b>1,422,000</b>	828,000
Capital losses	<b>41,000</b>	41,000
Deductible share issuance costs	<b>30,000</b>	37,000
Tax value in excess of accounting value of marketable securities	<b>130,000</b>	32,000
Tax value in excess of accounting value of exploration & evaluation assets	<b>48,000</b>	48,000
Tax value in excess of accounting value of Joint Venture	<b>(7,000)</b>	51,000
Portion of deferred tax assets unrecognized	<b>(1,664,000)</b>	(1,037,000)
	-	-

## 15. Related party transactions

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

- a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in 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:

<i>Period ended</i>	<b>March 31, 2016</b>	March 31, 2015
	<b>\$</b>	<b>\$</b>
Consulting fees paid and/or accrued	<b>380,000</b>	345,000
Stock based compensation	<b>586,449</b>	-
	<b>966,449</b>	345,000

All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

- b) On March 31, 2016, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were \$25,984 (2015 - \$161,478).
- c) On November 20, 2015 the Company closed a convertible Loan (note 16). A Director converted a \$30,000 loan into 214,286 shares of the Company. Interest of \$1,302 associated with the loan was paid to this Director. On November 30, 2015 the Company closed a private placement. Management and directors participated in the placement and as a result received 1,535,714 shares and equivalent number of share purchase warrants valid for one year from closing at an exercise price of \$0.30 (note 16).
- d) There were 1,830,000 options issued at \$0.21 and 2,212,500 options at \$0.10 during the year to Management and Directors.

## 16. Share capital and contributed surplus

### Authorized capital stock

Unlimited common shares without nominal or par value

### Escrowed shares

As of March 31, 2016 there were NIL common shares (2015 – 1,967,500) subject to an escrow agreement.

### Issuance of shares and warrants

- On May 13, 2014 the Company issued 1,062,500 common shares and 1,062,500 warrants in settlement of outstanding debt to arms-length parties. The warrants attached entitling the holder to acquire one common share of Elcora for \$0.30 for 18 months.
- On May 13, 2014, Elcora closed a non-brokered private placement for \$1,436,300 (the "May 13, 2014 Private Placement"). The private placement was subscribed for at \$0.16 per common share with a full warrant attached entitling the holder to acquire one common share of Elcora for \$0.30 for 18 months (the "Private Placement Warrant"). Pursuant to the May 13, 2014 Private Placement, Elcora issued 8,976,875 common shares and 8,976,875 Private Placement Warrants. As part of the May 13, 2014 Private Placement, finder's fees of 182,610 Elcora common shares at \$0.23 per share and 262,500 broker warrants exercisable at \$0.16 per share for 18 months will be paid in conjunction with this private placement.

## 16. Share capital and contributed surplus (continued)

### Issuance of shares and warrants (continued)

- On June 30, 2014, Elcora completed the purchase of 40% of the issued and outstanding shares of Sakura Graphite (PVT) Ltd of Sri Lanka. Pursuant to the Transaction, Elcora has issued a total 6,827,442 common shares of Elcora at to shareholders of Sakura on the closing date of June 30, 2014. The closing price of Elcora shares on June 30, 2014 was \$0.40. Elcora also issued 6,827,442 warrants to the shareholders of Sakura to purchase common shares of Elcora. Each Warrant entitles the holder of such Warrant to purchase one common share of Elcora at a price of \$0.19 for a period of 5 years.
- On August 15, 2014 the Company closed the first tranche of a non-brokered private placement (the "August 15, 2014 Private Placement "). Each unit is comprised of one common share and one share purchase warrant, with each share purchase warrant exercisable until February 16, 2016 at an exercise price of \$0.43 per share. The final amount raised was \$921,425 (2,632,643 units @ \$0.35) with fees payable to the agents of 6% in cash totaling \$43,648 of which \$29,190 will be settled by the issuance of 83,400 common shares at an issue price of \$0.35 and will issue 160,680 agents' warrants (8%) exercisable at \$0.35 per share for 18 months.
- During the year, 4,910,000 warrants were exercised further to the July 19, 2013 Private Placement which comprised of the sale of 4,910,000 common shares of the Company at a price of \$0.05 per share and the issuance of 4,910,000 warrants of the Company, with each warrant entitling the holder to acquire one common share of the Company for 24 months at a price of \$0.15 per common share. The exercise of the warrants resulted in \$736,500 cash to the treasury.
- On November 10, 2015 the Company closed a non-brokered private placement financing (the "November 10, 2015 Private Placement "). Elcora has issued 7,142,857 units at a price of \$0.14 per unit for aggregate gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common shares of Elcora at an exercise price of \$0.30 for one year following the closing of the private placement. The Company paid finders' fees of \$50,200 in cash and 332,700 in finders' warrants exercisable at \$0.14 per common share for one year in connection with the private placement.
- During the year, 898,333 warrants were exercised further to the May 13, 2014 Private Placement which comprised of the sale of 8,976,875 common shares of the Company at a price of \$0.16 per share and the issuance of 8,976,875 warrants of the Company, with each warrant entitling the holder to acquire one common share of the Company for 18 month at a price of \$0.30 per common share. The exercise of the warrants resulted in \$269,500 cash to the treasury.
- On November 20, 2015 the Company closed a previously announced \$1,388,040 two-year syndicated limited recourse convertible loan agreement ("the Loan") for the lesser amount of \$1,002,540 with eight lenders including one insider. The principal of the Loan is convertible into common shares of Elcora at \$0.14 cents per share and all of the eight lenders elected to convert their Loans on November 20, 2015. A total of 7,161,000 shares of Elcora were issued upon the loan conversion.

## 16. Share capital and contributed surplus (continued)

### Issuance of shares and warrants (continued)

- On November 30, 2015 the Company closed a non-brokered private placement (the "November 30, 2015 Private Placement") financing by issuing 6,602,144 units at a price of \$0.14 per unit for aggregate gross proceeds of \$924,300. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common shares of Elcora at an exercise price of \$0.30 for one year following the closing of the private placement. The Company did not pay any finders' fees in connection with the November 30, 2015 Private Placement.

### Warrants

Warrant transactions outstanding for year ended March 31, 2016 and year-ended March 31, 2015 were as follows:

	March 31, 2016		March 31, 2015	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
<b>Opening Balance</b>	<b>24,797,640</b>	<b>0.25</b>	4,960,000	0.15
Expired during the period	<b>(9,529,222)</b>	<b>0.30</b>	(50,000)	0.20
Exercised during the period	<b>(5,808,333)</b>	<b>0.17</b>	(35,000)	0.30
Issued – Private placement (PP)	<b>7,142,857<sup>(3)</sup></b>	<b>0.30</b>	8,976,875	0.30
Issued – PP Broker Warrants	<b>332,700<sup>(3)</sup></b>	<b>0.14</b>	262,500	0.16
Issued – Investment in Sakura <sup>(Note 11)</sup>	-	-	6,827,442 <sup>(1)</sup>	0.19
Issued – Shares for debt	-	-	1,062,500	0.30
Issued – PP	<b>6,602,144<sup>(4)</sup></b>	<b>0.30</b>	2,632,643 <sup>(2)</sup>	0.43
Issued – PP Broker Warrants	-	-	160,680 <sup>(2)</sup>	0.35
<b>Closing Balance</b>	<b>23,537,786</b>	<b>0.28</b>	24,797,640	0.25

(1). Expire on September 30, 2019

(2). 160,680 expired on February 16, 2016 - 2,632,643 warrants were extended to February 16, 2017

(3). Expire on November 10, 2016.

(4). Expire on November 30, 2016

The Broker warrants issued as part of the May 13, 2014 private placement were valued using the Black-Scholes option pricing model at the date of grant. The Broker warrants were priced using a risk free interest rate of 1.03%, a stock price of \$0.41, 100% volatility and a term of 1.5 years. The fair value of the warrants was calculated to be \$74,202 and was included with share issuance costs and an offsetting credit to contributed surplus and other.

The Broker warrants issued as part of the August 15, 2014 private placement were valued using the Black-Scholes option pricing model at the date of grant. The Broker warrants were priced using a risk free interest rate of 1.09%, a stock price of \$0.40, 100% volatility and a term of 1.5 years. The fair value of the warrants was calculated to be \$21,148 and was included with share issuance costs and an offsetting credit to contributed surplus and other.

Broker warrants issued as part of May 13, 2014 and August 15, 2014 private placements expired during the year.

## 16. Share capital and contributed surplus (continued)

### Warrants (continued)

The Broker warrants issued as part of the November 10, 2015 private placement were valued using the Black- Scholes option pricing model at the date of grant. The Broker warrants were priced using a risk free interest rate of 0.54%, a stock price of \$0.19, 128% volatility and a term of 1 year. The fair value of the warrants was calculated to be \$34,582 and was included with share issuance costs and an offsetting credit to contributed surplus and other.

### 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:

	March 31, 2016		March 31, 2015	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance - Beginning of period	1,125,000	0.12	1,125,000	0.12
Issued	5,700,000	0.15	-	-
Forfeited	(742,500)	0.10	-	-
Exercised	(80,000)	0.15	-	-
Balance - end of period	6,002,500	0.15	1,125,000	0.12
Balance - exercisable at end of period	6,002,500	0.15	1,125,000	0.12

## 16. Share capital and contributed surplus (continued)

### Stock Options (continued)

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2016 is below:

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	2,982,500	4.48	0.10	2,982,500	0.10
\$0.11 - \$0.20	320,000	3.40	0.16	320,000	0.16
\$0.21 - \$0.30	2,700,000	4.67	0.21	2,700,000	0.21
	<b>6,002,500</b>	<b>4.51</b>	<b>0.15</b>	<b>6,002,500</b>	<b>0.15</b>

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

year ended	March 31, 2016	March 31, 2015
Average dividend per share	-	-
Average share price	0.15	-
Average forecasted volatility	154%	-
Average risk-free interest rate	0.89%	-
Average expected life	5 years	-
Fair value - weighted average of options issued	\$0.15	-

For the year ended March 31, 2016, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$837,157 (March 31, 2015 - \$23,990).

## 17. Supplemental disclosure with respect to cash flows

The significant non cash investing and financing activities for the period ended March 31, 2016 included:

- Annual translation adjustment of (\$531,317) in revaluating the investment in joint venture at the end of the year.
- Issuance of 332,700 broker warrants valued at \$34,582 in connection with private placements.
- \$29,868 in property & equipment additions in accounts payable
- Reduction of the GRIT finders' fee accrual of \$47,072 in accounts payable

## 17. Supplemental disclosure with respect to cash flows (continued)

The significant non cash investing and financing activities for the period ended March 31, 2015 included:

- e) The issuance of 6,827,442 common shares valued at \$2,730,977 and 6,827,442 warrants value at \$2,280,366 as consideration for the acquisition of 40% of Sakura.
- f) Annual translation adjustment of \$919,850 in revaluating the investment in joint venture at the end of the year.
- g) Issuance of 266,010 shares valued at \$71,190 as finders' fees relating to private placements.
- h) Issuance of 423,180 agent and broker warrants valued at \$95,349 in connection with private placements.
- i) Issuance of 1,062,500 shares in exchange for \$170,000 of debt.

## 18. Commitments

The Company through its subsidiary, Graphene Corp., entered into a three year operating lease for premises used for its graphene research. The lease commenced March 1, 2016 and will expire February 28, 2019 unless terminated earlier, extended or renewed by the parties to the lease. The total minimum lease payments are \$2,515 per month. The Company is committed to the lease as follows:

Year ending March 31,	Amount (\$)
2017	30,180
2018	30,180
2019	27,665

## 19. Subsequent events

- On April 5, 2016 the Company received approval from the Atlantic Canada Opportunities Agency ("ACOA") for funding under the agency's Business Development Program. ACOA shall contribute up to \$495,750 towards purchasing of equipment, renovations, hiring staff and marketing in order to commercialize Graphene Corp. in Halifax, Nova Scotia. The contribution is in the form of an interest-free loan. The expected project result is to identify the optimum commercially viable product and markets for high grade graphene. The \$495,750 interest-free loan shall be repayable over 5 years commencing July 1, 2017. The principal amount due at the beginning of each month is \$8,200.
- On April 26, 2016 the Company announced a non-brokered private placement offering of up to 7,500,000 units at a price of \$0.40 per unit to raise aggregate gross proceeds of up to \$3,000,000. Each unit will be comprised of one common share and half common share purchase warrant. Each full warrant gives the holder the right to purchase one additional common share of Elcora at an exercise price of \$0.52 for three years following the closing of the Private Placement. On June 10, 2016 the Company has closed the first tranche of the non-brokered private placement financing. Elcora has issued 2,208,750 units at a price of \$0.40 per unit for aggregate gross proceeds of \$883,500. The units issued by the Company include 1,104,375 share purchase warrants entitling the holder to purchase one additional common share of Elcora at an exercise price of \$0.52 for three years following the closing of the private placement. The Company will pay finders' fees of \$13,100 in cash and 15,000 in finders' warrants in connection with this tranche of the private placement.