ELCORA ADVANCED MATERIALS CORP.

(FORMERLY ELCORA RESOURCES CORP.)

Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM 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 financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of 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 condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2016 AND MARCH 31, 2016
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	June 30, 2016	March 31, 2016
	$	$
		(audited)
Assets		
Current assets		
Cash	**245,100**	134,242
Investment in marketable securities	**23,616**	15,235
Accounts receivable *(note 7)*	**60,994**	63,268
Prepaid expenses *(note 8)*	**384,504**	529,140
	714,214	741,885
Non-current assets		
Investment in Joint Venture *(note 11)*	**8,007,980**	7,573,137
Property and equipment *(note 10)*	**369,805**	165,266
Total assets	**9,091,999**	8,480,288
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *(note 9)*	**422,405**	472,332
Long-term liabilities		
Loans payable *(note 13)*	**224,524**	-
Total liabilities	**646,929**	472,332
Shareholders' equity		
Share capital *(note 14)*	**11,971,580**	11,067,378
Subscriptions receivable	**(20,000)**	-
Contributed surplus and other *(note 14)*	**3,374,849**	3,374,849
Accumulated other comprehensive income	**434,707**	388,533
Deficit	**(7,316,066)**	(6,822,804)
Total shareholder's equity	**8,445,070**	8,007,956
Total liabilities and shareholder's equity	**9,091,999**	8,480,288

-See Accompanying Notes-

Nature of business and going concern (*notes 1 & 2*)
Subsequent event *(note 16)*

Approved on behalf of the Board of Directors on August 29, 2016

"Troy Grant" — Director

"Denis Choquette" — Director

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	June 30, 2016 $	June 30, 2015 $
Expenses (Income)		
Research & Development	**199,723**	-
Professional fees	**(10,889)**	34,834
General and administrative expenses	**26,987**	7,460
Management and consulting fees	**167,188**	96,298
Transfer, filing and listing fees	**19,870**	5,388
Investor relations expense	**37,630**	14,653
Stock-based compensation *(note 14)*	**-**	261,668
Interest paid	**230**	-
Realized & unrealized (gain) loss on marketable securities	**(10,245)**	147,829
Share of loss in joint venture *(note 11)*	**61,437**	63,145
Realized & unrealized loss on foreign exchange	**1,331**	3,870
Loss for the period	**(493,262)**	(635,145)
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss		
Translation adjustment	**46,174**	(147,059)
Comprehensive loss for the period	**(447,088)**	(782,204)
Loss per share		
Basic and diluted loss per share	**(0.01)**	(0.01)
Weighted average number of outstanding common shares – Basic and diluted	**70,179,972**	42,953,633

-See Accompanying Notes-

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital ($)	Subscriptions receivable ($)	Contributed Surplus and other ($)	Accumulated other Comprehensive income ($)	Deficit ($)	Total shareholders' equity ($)
Balance - March 31, 2016	69,347,967	11,067,378	-	3,374,849	388,533	(6,822,804)	8,007,956
Net loss and comprehensive loss for the period	-	-	-	-	-	(493,262)	(493,262)
Translation adjustment	-	-	-	-	46,174	-	46,174
Comprehensive loss	-	-	-	-	46,174	(493,262)	(447,088)
Shares issued for cash	2,208,750	883,500	(20,000)	-	-	-	863,500
Share issuance costs	-	(21,298)	-	-	-	-	(21,298)
Warrants exercised	262,500	42,000	-	-	-	-	42,000
Balance – June 30, 2016	71,819,217	11,971,580	(20,000)	3,374,849	434,707	(7,316,066)	8,445,070
Balance - March 31, 2015	42,553,633	7,173,780		2,514,921	919,850	(3,819,071)	6,789,480
Net loss and comprehensive loss for the period	-	-		-	-	(635,145)	(635,145)
Translation adjustment	-	-		-	(147,059)	-	(147,059)
Comprehensive loss	-	-		-	(147,059)	(635,145)	(782,204)
Stock based compensation	-	-		261,668	-	-	261,668
Share issuance costs	-	43,492		-	-	-	43,492
Warrants exercised	400,000	60,000		-	-	-	60,000
Balance – June 30, 2015	42,953,633	7,277,272		2,776,589	772,791	(4,454,216)	6,372,436

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	June 30, 2016 $	June 30, 2015 $
Cash flows from operating activities		
Net loss for the periods	**(493,262)**	(635,145)
Adjustments for items not involving cash:		
Stock-based compensation	**-**	261,668
Share of loss in investment in associate	**61,436**	63,145
Realized & Unrealized loss on marketable securities	**(10,245)**	147,367
Unrealized loss (gain) on foreign exchange	**706**	(2,765)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	**2,275**	(7,194)
Decrease (increase) in prepaid expenses	**144,636**	(24,961)
Decrease in accounts payable and accrued liabilities	**(98,771)**	(61,238)
Net cash used for operating activities	**(393,225)**	(259,123)
Investing activities		
Investment in Joint Venture	**(448,948)**	(60,385)
Acquisition of equipment	**(155,695)**	-
	(604,643)	(60,385)
Financing activities		
Proceeds on issuance of common shares *(note 14)*	**883,500**	-
Subscriptions receivable	**(20,000)**	1,228,040
Proceeds on exercise of warrants	**42,000**	60,000
Share issuance costs	**(21,298)**	43,492
Proceeds on long-term loans	**224,524**	-
	1,108,726	1,331,532
Net increase in cash	**110,858**	1,012,024
Cash, beginning of the period	**134,242**	33,476
Cash end of the periods	**245,100**	1,045,500

Supplemental disclosure with respect to cash flows - Note 15

-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 advanced material research and production.

2. Going concern

The ability of the Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation is unable to obtain additional financing when required, the Corporation may have to substantially reduce or eliminate planned expenditures or the Corporation may be unable to continue operations.

The Corporation's ability to continue as a going concern is also dependent upon its ability to fund its research and development programs and its ability to develop a unique low cost effective process to make graphene that is commercially scalable. To date, the Company has not earned any revenue.

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. 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 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 R&D stage and is subject to the risks and challenges similar to other companies in a comparable stage of R&D. These risks include, but are not limited to, dependence on key individuals, successful research and development programs and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the period ended June 30, 2016, the Company incurred losses of $493,262 (2015 - $635,145) and as at June 30, 2016 had an accumulated deficit of $7,316,066 (March 31, 2016 - $6,822,804). The Company has no income or cash flows from operations and at June 30, 2016 had a working capital of $291,809 (March 31, 2016 – $269,553).

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

3. Basis of presentation

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. The 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 financial statements for the year ended March 31, 2016. These Financial Statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended March 31, 2016.

The condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 29, 2016.

Basis of measurement

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed interim 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 condensed interim 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 condensed interim 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 ended March 31, 2016.

Significant Subsidiaries (Consolidated) - ownership	**June 30, 2016**	**March 31, 2016**
Graphene Corp.	100%	100%

4. Critical accounting estimates and judgments

The preparation of the condensed interim 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 condensed interim 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.

4. Critical accounting estimates and judgments (continued)

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of comparison to similar market assets and industry benchmarks. Actual results may differ materially from these estimates

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.

5. 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.

5. Financial instruments and fair values (continued)

Measurement categories

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 June 30, 2016 would result in an increase of $ 58,000 or decrease of $58,000, 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 June 30, 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 June 30, 2016, a 5% change in the quoted price of marketable securities would impact net income by $1,181 (March 31, 2016 - $762). 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.

(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 June 30, 2016, the Company had cash of $245,100 (March 31, 2016 - $134,242) to settle current liabilities of $422,405 (March 31, 2016 - $472,338). See note 2.

6. 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 June 30, 2016 totaled $8,445,070 (March 31, 2016 - $8,007,956). 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.

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

7. Accounts receivable

	June 30, 2016 $	March 31, 2016 $
Sales tax recoverable	60,993	63,268

Sales tax was received subsequent to June 30, 2016.

8. Prepaid expenses

	June 30, 2016 $	March 31, 2016 $
Consultants	367,033	434,405
Lab equipment	-	58,474
Other	17,471	36,261
	384,504	529,140

9. Accounts payable and accrued liabilities

	June 30, 2016 $	March 31, 2016 $
Accounts payable	172,790	157,491
Accrued liabilities	249,615	314,841
	422,405	472,332

As at June 30, 2016, $49,416 (March 31, 2016 - $25,984) of accounts payable and accrued liabilities is due to related parties, relating to their services to the Company.

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10. Property and Equipment

	Lab Equipment $	Leasehold Improvements $	Total $
Period ending June 30, 2016			
Opening net book value	165,266	-	**165,266**
Additions	151,758	52,781	**204,539**
Closing net book value	317,024	52,781	**369,805**
Year ended March 31, 2016			
Opening net book value	**-**	**-**	**-**
Additions	**165,266**		**165,266**
Closing net book value	165,266		**165,266**

The assets and equipment acquired for graphene processing in Graphene Corp. are not ready for intended use as at June 30, 2016, and therefore these assets were not depreciated.

11. 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$2.3 million has been funded as of June 30, 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 condensed interim consolidated financial statements.

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

11. Investment in Joint Venture (continued)

Investment in Joint Venture

	June 30, 2016	March 31, 2016
	$	$
Opening Balance	7,367,558	6,754,575
Investments in Sakura	448,950	1,402,206
Share of loss	(61,437)	(257,906)
Translation gain (loss)	46,174	(531,317)
	7,801,245	**7,367,558**
Advances receivable from Sakura	206,735	205,579
	8,007,980	7,573,137

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

	June 30, 2016	June 2015
	$	$
Operating, general and administration expenses	146,796	157,861
Depreciation and amortization	6,797	27,836
Net loss and comprehensive loss	**153,593**	185,697

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11. Investment in Joint Venture (continued)

Summary Statements of Financial Position

As at	June 30, 2016	March 31, 2016
	$	$
Cash	465,932	256,226
Current assets	465,932	256,226
Non-current assets	19,243,917	18,393,221
	19,709,849	18,649,447
Accounts payable and other payables	-	24,973
Current Liabilities	-	24,973
Non-current liabilities	206,736	205,579
Shareholder's equity	19,503,113	18,418,895
	19,709,849	18,649,447

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

As at	June 30, 2016	March 31, 2016
	$	$
Net assets of the joint venture (JV)	19,503,113	18,418,895
Proportion of the Corporation's ownership interest in the JV	40%	40%
Carrying amount of the Corporation's interest in the JV	**7,801,245**	7,367,558

12. 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:

Period ended	**June 30, 2016 $**	June 30, 2015 $
Consulting fees paid and/or accrued	**84,999**	96,250
	84,999	96,250

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

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12. Related party transactions (continued)

b) On June 30, 2016, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were $49,416 (March 31, 2016 - $25,984).

c) On November 20, 2015 the Company closed a convertible Loan (note 14). 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 14).

d) There were 1,830,000 options issued at $0.21 and 2,212,500 options at $0.10 during the year ended March 31, 2016 to Management and Directors.

13. Loans payable

	June 30, 2016 $	March 31, 2016 $
Atlantic Canada Opportunities Agency ("ACOA") Atlantic Innovation Fund interest-free loan with a maximum contribution of $495,750, repayable in 60 equal monthly payments of $8,200 commencing July 1, 2017. As at June 30, 2016, the amount drawn down on the loan is 224,524.	**224,524**	-
	224,524	-

14. Share capital and contributed surplus

Authorized capital stock

Unlimited common shares without nominal or par value

Escrowed shares

As of June 30, 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.
- 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.

14. Share capital and contributed surplus (continued)

Issuance of shares and warrants (continued)

- 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. These warrants were extended to February 16, 2017. 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 ended March 31, 2016, 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 ended March 31, 2016, 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.

- 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.

- On June 10, 2016 the Company closed a non-brokered private placement financing by issuing 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 paid finders' fees of $13,100 in cash in connection with this private placement.

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

14. Share capital and contributed surplus (continued)

Warrants

	Number of warrants #	Weighted average exercise price $
Opening Balance – April 1, 2015	24,797,640	0.25
Expired during the period	(9,529,222)	0.30
Exercised during the period	(5,808,333)	0.17
Issued – Private placement (PP)	7,142,857	0.30
Issued – PP Broker Warrants	332,700	0.14
Issued – PP	6,602,144	0.30
Closing Balance – March 31, 2016	23,537,786	0.28
Issued – Private placement (PP)	1,104,375	0.52
Warrants not expired in prior year**	262,500	0.16
Exercised during the period	(262,500)	0.16
Closing Balance – June 30, 2016	24,642,161*	0.29

*

# Outstanding	Expiry
7,142,857	November 10, 2016
332,700	November 10, 2016
6,602,144	November 30, 2016
2,632,643	February 16, 2017
1,104,375	June 10, 2019
6,827,442	September 30, 2019
24,642,161	

**

262,500 warrants were wrongly classified as being expired during prior year-end. The correct expiry date was May 28, 2016 and they were exercised on May 24, 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 the August 15, 2014 private placements expired during the year ended March 31, 2016.

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.

UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

14. Share capital and contributed surplus (continued)

Stock options

The Board of Directors of the Company has adopted an incentive stock option plan (the "Option Plan"). Under the Option Plan, the Board of Directors of the Company may, from time to time, at its discretion, and in accordance with the exchange requirements and applicable securities legislation, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase Common Shares, exercisable for a period of up to 10 years from the date of grant. The number of Common Shares reserved for issuance under the Option Plan will not exceed 10% of the issued and outstanding Common Shares of the Company. The number of Common Shares reserved for issuance to any one individual Director or Officer may not exceed 5% of the issued and outstanding Common Shares and the aggregate number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options for the period ended June 30, 2016.

	Number of options #	Weighted average exercise price $
Balance – April 1, 2015	**1,125,000**	**0.12**
Issued	**5,700,000**	**0.15**
Forfeited	**(742,500)**	**0.10**
Exercised	**(80,000)**	**0.15**
Balance – March 31, 2016 and June 30, 2016	**6,002,500**	**0.15**
Balance – exercisable at end of March 31 and June 2016	**6,002,500**	**0.15**

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2016 is below:

	Outstanding options			Exercisable options	
Exercise prices	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**	**4.23**	**0.10**	**2,982,500**	**0.10**
$0.11 - $0.20	**320,000**	**3.15**	**0.16**	**320,000**	**0.16**
$0.21 - $0.30	**2,700,000**	**4.42**	**0.21**	**2,700,00**	**0.21**
	6,002,500	**4.51**	**0.15**	**6,002,500**	**0.15**

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14. Share capital and contributed surplus (continued)

Stock options (continued)

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

period ended	**June 30, 2016**	June 30, 2015
Average dividend per share	-	-
Average share price	-	-
Average forecasted volatility	-	100%
Average risk-free interest rate	-	0.59%
Average expected life	-	5 years
Fair value - weighted average of options issued	-	$0.09

For the period ended June 30, 2016, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $NIL (June 30, 2015 - $261,668).

15. Supplemental disclosure with respect to cash flows

The significant non cash investing and financing activities for the period ended June 30, 2016 included:

a) Translation adjustment of $46,174 in revaluating the investment in joint venture at the end of the period.

b) $48,844 in property & equipment additions in accounts payable

There were no significant non cash investing and financing activities for the period ended June 30, 2015.

16. Subsequent event

On August 08, 2016, 500,000 warrants were exercised at $0.30 for total proceeds of $150,000.