



ELCORA ADVANCED MATERIALS CORP.

(FORMERLY ELCORA RESOURCES CORP.)

Condensed Interim Consolidated Financial Statements

For the periods ended September 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 SEPTEMBER 30, 2016 AND MARCH 31, 2016
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	September 30, 2016	March 31, 2016
	\$	\$
		(audited)
Assets		
Current assets		
Cash	67,794	134,242
Investment in marketable securities	34,168	15,235
Accounts receivable (note 7)	21,414	63,268
Prepaid expenses (note 8)	169,795	529,140
	293,171	741,885
Non-current assets		
Investment in Joint Venture (note 11)	7,932,200	7,573,137
Property and equipment (note 10)	400,944	165,266
Total assets	8,626,315	8,480,288
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	401,541	472,332
Long-term liabilities		
Loans payable (note 13)	224,524	-
Total liabilities	626,065	472,332
Shareholders' equity		
Share capital (note 14)	12,131,405	11,067,378
Subscriptions receivable	-	-
Contributed surplus and other (note 14)	3,374,849	3,374,849
Accumulated other comprehensive income	434,711	388,533
Deficit	(7,940,715)	(6,822,804)
Total shareholder's equity	8,000,250	8,007,956
Total liabilities and shareholder's equity	8,626,315	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 November 24, 2016

"Troy Grant"

Director

"Denis Choquette"

Director

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

	Three-month period ending September 30, 2016	Three-month period ending September 30, 2015	Six-month period ending September 30, 2016	Six-month period ending September 30, 2015
	\$	\$	\$	\$
Expenses (Income)				
Research & development	339,617	-	539,340	-
Professional fees	8,427	13,844	(2,462)	48,678
General and administrative expenses	21,056	5,640	48,043	13,100
Amortization expense	29,683	-	29,683	-
Management and consulting fees	141,004	69,179	308,191	165,477
Transfer, filing and listing fees	13,108	12,942	32,979	18,330
Investor relations expense	-	11,740	37,630	26,393
Stock-based compensation (<i>note 14</i>)	-	-	-	261,668
Interest paid	30	-	261	-
Interest revenue	(170)	(682)	(170)	(683)
Realized & unrealized (gain) loss on marketable securities	(11,323)	(103,792)	(21,568)	44,037
Share of loss in investments using the equity method	81,679	49,599	143,115	112,743
Realized & unrealized (gain) loss on foreign exchange	1,538	(25,769)	2,869	(21,898)
Loss for the period	(624,649)	(32,701)	(1,117,911)	(667,846)
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss				
Translation adjustment	4	119,971	46,178	(27,088)
Comprehensive loss for the period	(624,645)	87,270	(1,071,732)	(694,934)
Loss per share				
Basic and diluted loss per share	(0.01)	(0.00)	(0.02)	(0.02)
Weighted average number of outstanding common shares –				
Basic and diluted	72,102,369	46,336,133	71,146,423	44,496,748

-See Accompanying Notes-

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	Share Capital (#)	Share Capital (\$)	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	-	-	-	-	(1,117,911)	(1,117,911)
Translation adjustment	-	-	-	46,178	-	46,178
Comprehensive loss	-	-	-	46,178	(1,117,911)	(1,071,732)
Shares issued for cash	2,233,750	893,500	-	-	-	893,500
Share issuance costs	-	(21,473)	-	-	-	(21,473)
Warrants exercised	762,500	192,000	-	-	-	192,000
Balance – September 30, 2016	72,344,217	12,131,405	3,374,849	434,711	(7,940,715)	8,000,250
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	-	-	-	-	(667,846)	(667,846)
Translation adjustment	-	-	-	(27,088)	-	(27,088)
Comprehensive loss	-	-	-	(27,088)	(667,846)	(694,934)
Stock based compensation	-	-	261,668	-	-	261,668
Share issuance costs	-	43,492	-	-	-	43,492
Warrants exercised	4,910,000	736,500	-	-	-	736,500
Balance – September 30, 2015	47,463,633	7,953,772	2,776,589	892,762	(4,486,917)	7,136,206

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	September 30, 2016 \$	September 30, 2015 \$
Cash flows from operating activities		
Net loss for the periods	(1,117,911)	(667,846)
Adjustments for items not involving cash:		
Amortization expense	29,683	-
Stock-based compensation	-	261,668
Share of loss in investment in associate	143,115	112,744
Realized & Unrealized loss on marketable securities	(20,088)	(13,968)
Unrealized loss (gain) on foreign exchange	-	-
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	41,854	(18,291)
Decrease (increase) in prepaid expenses	359,345	(11,437)
Decrease in accounts payable and accrued liabilities	(119,635)	(120,536)
Net cash used for operating activities	(683,637)	(416,856)
Investing activities		
Investment in Joint Venture	(454,845)	(1,025,372)
Acquisition of equipment	(216,517)	-
	(671,362)	(1,025,372)
Financing activities		
Proceeds on issuance of common shares (note 14)	893,500	-
Subscriptions receivable	-	1,228,040
Proceeds on exercise of warrants	192,000	736,500
Share issuance costs	(21,473)	43,492
Proceeds on long-term loans	224,524	-
	1,288,551	2,008,032
Net increase in cash	(66,448)	565,804
Cash, beginning of the period	134,242	33,476
Cash end of the periods	67,794	599,280

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 September 30, 2016, the Company incurred losses of \$1,117,911 (2015 - \$667,846) and as at September 30, 2016 had an accumulated deficit of \$7,940,715 (March 31, 2016 - \$6,822,804). The Company has no income or cash flows from operations and at September 30, 2016 had a working capital deficit of \$108,370 (March 31, 2016 – surplus \$269,553).

3. Basis of preparation

The Company prepares its unaudited interim condensed consolidated financial statements (the “financial statements”) in accordance with Canadian generally accepted accounting principles (“GAAP”) as set out in the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements are in compliance with the International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) Accordingly, certain information included in annual financial statements prepared in accordance with IFRS, issued by IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 6 of the Company’s annual consolidated statements for the year ended March 31, 2016. The financial statements should be read in conjunction with the Company’s annual financial statements for the year ended March 31, 2016.

These financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows.

The condensed interim consolidated financial statements were approved by the Board of Directors for issue on November 24, 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.

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

4. Significant accounting policies, judgments and estimation uncertainty

These unaudited interim condensed consolidated financial statements have been prepared using the same policies and methods as the annual consolidated financial statements of the Company for the year ended March 31, 2016, unless otherwise noted. Refer to note 4 of the Company's financial statements for the year ended March 31, 2016 for more information on new accounting standards and amendments not yet effective.

Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits.

Government assistance

Non-repayable government assistance is recorded in the period earned as a reduction in the related qualifying expenditure. During the period ended September 30, 2016, the Corporation recorded \$43,433 of non-repayable government grants, from a government agency, as a reduction in related research salaries (2015 - \$NIL). Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures. During the period ended September 30, 2016, the Corporation recorded \$nil as a reduction in related expenses (2015 - \$NIL).

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 September 30, 2016 would result in an increase of \$ 193,000 or decrease of \$193,000, 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 September 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 September 30, 2016, a 5% change in the quoted price of marketable securities would impact net income by \$1,700 (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 September 30, 2016, the Company had cash of \$67,794 (March 31, 2016 - \$134,242) to settle current liabilities of \$401,541 (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 September 30, 2016 totaled \$8,000,250 (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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
 UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

7. Accounts receivable

	September 30, 2016	March 31, 2016
	\$	\$
Sales tax recoverable	21,414	63,268

Sales tax was received subsequent to September 30, 2016.

8. Prepaid expenses

	September 30, 2016	March 31, 2016
	\$	\$
Consultants	162,500	434,405
Lab equipment	-	58,474
Other	7,295	36,261
	169,795	529,140

9. Accounts payable and accrued liabilities

	September 30, 2016	March 31, 2016
	\$	\$
Accounts payable	161,683	157,491
Accrued liabilities	239,858	314,841
	401,541	472,332

As at September 30, 2016, \$72,101 (March 31, 2016 - \$25,984) of accounts payable and accrued liabilities is due to related parties, relating to their services to the Company.

10. Property and Equipment

	Lab Equipment \$	Leasehold Improvements \$	Total \$
Period ending September 30, 2016			
Opening net book value	165,266	-	165,266
Additions	206,888	58,472	265,361
Depreciation	(24,810)	(4,873)	(29,683)
Closing net book value	347,344	53,600	400,944
Year ended March 31, 2016			
Opening net book value	-	-	-
Additions	165,266		165,266
Closing net book value	165,266		165,266

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\$2.34 million has been funded as at September 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

11. Investment in Joint Venture (continued)

Investment in Joint Venture	September 30, 2016	March 31, 2016
	\$	\$
Opening Balance	7,367,558	6,754,575
Investments in Sakura	454,845	1,402,206
Share of loss	(143,116)	(257,906)
Translation gain (loss)	46,178	(531,317)
	<u>7,725,465</u>	<u>7,367,558</u>
Advances receivable from Sakura	206,735	205,579
	<u>7,932,200</u>	<u>7,573,137</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

	September 30, 2016	September 2015
	\$	\$
Operating, general and administration expenses	344,088	223,040
Depreciation and amortization	13,702	58,969
Net loss and comprehensive loss	<u>357,790</u>	<u>282,009</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

11. Investment in Joint Venture (continued)

Summary Statements of Financial Position

As at	September 30, 2016	March 31, 2016
	\$	\$
Cash and receivables	193,541	256,226
Current assets	193,541	256,226
Non-current assets	19,348,322	18,393,221
	19,541,863	18,649,447
Accounts payable and other payables	21,464	24,973
Current Liabilities	21,464	24,973
Non-current liabilities	206,736	205,579
Shareholder's equity	19,313,663	18,418,895
	19,541,863	18,649,447

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	September 30, 2016	March 31, 2016
	\$	\$
Net assets of the joint venture (JV)	19,313,663	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	7,725,465	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	September 30, 2016	September 30, 2015
	\$	\$
Consulting fees paid and/or accrued	169,999	132,500
	169,999	132,500

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

12. Related party transactions (continued)

- b) On September 30, 2016, total amounts payable to directors and companies owned thereby in accounts payable and accrued liabilities were \$72,101 (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

	September 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 September 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 September 30, 2016 there were NIL common shares (2015 – 1,967,500) subject to an escrow agreement.

Issuance of shares and warrants

- 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. 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.

14. Share capital and contributed surplus (continued)

Issuance of shares and warrants (continued)

- 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.
- Further to the June 10, 2016 placement the actual proceeds were \$893,500, not \$883,500 and on September 08, 2016 the Company issued an additional 25,000 shares and 12,500 warrants under the same terms as above. The correct number of shares and warrants issued after the correction are 2,233,750 and 1,116,875 respectively.
- During the period ended September 30, 2016, 262,500 broker warrants were exercised further to the May 13, 2014 Private Placement which 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. The exercise of the warrants resulted in \$42,000 cash to the treasury.
- During the period ended September 30, 2016, 500,000 warrants were exercised further to the November 10, 2015 non-brokered private placement financing. 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 was 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 exercise of the warrants resulted in \$150,000 cash to the treasury.

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
Exercised during the period	(500,000)	0.30
Closing Balance – September 30, 2016	24,142,161*	0.29

*

# Outstanding	Expiry
6,642,857	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
<u>6,827,442</u>	June 30, 2019
24,142,161	

**

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 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.

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 September 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 September 30, 2016	6,002,500	0.15
Balance – exercisable at end of March 31 and September 30, 2016	6,002,500	0.15

The range of exercise prices of stock options outstanding and exercisable as at September 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	3.98	0.10	2,982,500	0.10
\$0.11 - \$0.20	320,000	2.90	0.16	320,000	0.16
\$0.21 - \$0.30	2,700,000	4.17	0.21	2,700,000	0.21
	6,002,500	4.00	0.15	6,002,500	0.15

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:

<i>period ended</i>	September 30, 2016	September 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 September 30, 2016, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$NIL (September 30, 2015 - \$261,668).

15. Supplemental disclosure with respect to cash flows

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

- a) Translation adjustment of \$46,178 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 September 30, 2015.

16. Subsequent event

Subsequent to September 30, 2016, 475,557 warrants were exercised. The broker warrants were issued pursuant to the November 10, 2015 non-brokered private placement financing. 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. 142,857 of the \$0.30 warrants were exercised. 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. All 332,700 finders' warrants were exercised at \$0.14.