

ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended February 28, 2019 and 2018

NOTICE TO READERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of unaudited condensed consolidated interim financial statements and are in accordance with International Accounting Standard 34 – Interim Financial Reporting. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ELEMENT LIFESTYLE RETIREMENT INC.

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ELEMENT LIFESTYLE RETIREMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - See Notice To Reader)
(Expressed in Canadian dollars)

	Feb 28, 2019	May 31, 2018
ASSETS		
Current		
Cash	\$ 3,381,052	\$ 1,481,008
Other receivables (Note 5)	781,138	26,103
Due from related parties (Note 13)	1,825,239	15,900
Prepaid expenses	27,754	14,314
	6,015,183	1,537,325
Long term investments (Note 6)	19	-
Property and equipment (Note 7)	262,030	331,681
Property under development	-	8,261,053
Trade-marks (Note 8)	21,963	18,841
	21,963	18,841
Total assets	\$ 6,299,195	\$ 10,148,900
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 114,102	\$ 586,202
Customer deposit (Note 10)	10,000	-
Mortgage loan	-	3,500,000
	124,102	4,086,202
Convertible debentures (Note 11)	1,729,494	1,596,824
	1,853,596	9,183,026
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	9,166,702	8,766,702
Share issuance costs	(260,385)	(257,635)
Reserve - options (Note 12)	144,311	144,311
Reserve - warrants (Note 12)	444,820	444,820
Equity component of convertible debentures (Note 11)	677,998	677,998
Contributed surplus	42,435	42,435
Deficit	(5,770,282)	(5,352,757)
	4,445,599	4,465,874
Total liabilities and shareholders' equity	\$ 6,299,195	\$ 10,148,900

On behalf of the Board

"Don Ho" Director

"John Gilbert" Director

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ELEMENT LIFESTYLE RETIREMENT INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)***(Unaudited - See Notice To Reader)**(Expressed in Canadian dollars)*

	Three Months Ended		Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
REVENUE				
Consulting fees	\$ 35,000	\$ 272,046	\$ 1,179,051	\$ 1,633,992
EXPENSES				
Accretion expense	45,405	40,821	75,010	80,570
Advertising and promotion	24,096	18,671	77,737	57,476
Amortization	26,210	26,385	77,922	77,438
Compensation expense	-	-	-	52,549
Consulting fees	56,859	50,775	243,837	91,175
General & administration	42,506	45,878	190,253	124,335
Interest expenses	43,926	44,560	73,210	89,449
Professional fees	5,779	83,672	74,953	119,900
Rent	33,944	31,492	102,675	94,447
Salaries, wages and benefits	408,035	443,884	1,151,270	1,164,118
Travel	26,569	25,174	62,292	71,900
	713,329	811,312	2,129,159	2,023,357
OTHER INCOME				
Other income	13,809	2,550	27,646	6,677
Gain on disposal of capital property	-	-	302,638	-
Sale of land inventory	-	-	202,299	-
LOSS BEFORE INCOME TAXES	(664,520)	(536,716)	(417,525)	(382,688)
INCOME TAXES				
Deferred income tax recovery	-	-	-	252,512
LOSS AND COMPREHENSIVE LOSS	\$ (664,520)	\$ (536,716)	\$ (417,525)	\$ (130,176)
Basic and diluted loss per common share	\$ (0.009)	\$ (0.008)	\$ (0.006)	\$ (0.002)
Weighted average number of shares outstanding	70,478,299	68,478,299	69,144,966	67,088,616

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ELEMENT LIFESTYLE RETIREMENT INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited - See Notice To Reader)

(Expressed in Canadian dollars - Unaudited)

	Common shares outstanding	Paid-in capital	Warrants	Contributed surplus	Equity component of convertible debenture	Stock-based compensation reserve	Share issuance costs	Deficit	Total
Balance, May 31, 2017	55,832,188 \$	7,262,300 \$	- \$	24,656 \$	- \$	109,541 \$	(225,482) \$	(4,389,739) \$	2,781,276
Shares issued - private placement	12,646,111	1,504,402	-	-	-	-	-	-	1,504,402
Equity component of convertible debenture	-	-	-	-	677,998	-	-	-	677,998
Share issuance cost	-	-	-	-	-	-	(32,153)	-	(32,153)
Warrants	-	-	444,820	-	-	-	-	-	444,820
Options	-	-	-	-	-	52,549	-	-	52,549
Expired options	-	-	-	17,779	-	(17,779)	-	-	-
Comprehensive income for the period	-	-	-	-	-	-	-	(130,176)	(130,176)
Balance, Feb 28, 2018	68,478,299 \$	8,766,702 \$	444,820 \$	42,435 \$	677,998 \$	144,311 \$	(257,635) \$	(4,519,915) \$	5,298,716

	Common shares outstanding	Paid-in capital	Warrants	Contributed surplus	Equity component of convertible debenture	Stock-based compensation reserve	Share issuance costs	Deficit	Total
Balance, May 31, 2018	68,478,299 \$	8,766,702 \$	444,820 \$	42,435 \$	677,998 \$	144,311 \$	(257,635) \$	(5,352,757) \$	4,465,874
Shares issued - private placement	2,000,000	400,000	-	-	-	-	-	-	400,000
Share issuance cost	-	-	-	-	-	-	(2,750)	-	(2,750)
Comprehensive income for the period	-	-	-	-	-	-	-	(417,525)	(417,525)
Balance, Feb 28, 2019	70,478,299 \$	9,166,702 \$	444,820 \$	42,435 \$	677,998 \$	144,311 \$	(260,385) \$	(5,770,282) \$	4,445,599

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ELEMENT LIFESTYLE RETIREMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - See Notice To Reader)
(Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	\$ (664,520)	\$ (536,716)	\$ (417,525)	\$ (130,176)
Items not affecting cash:				
Amortization	26,210	26,385	77,922	77,438
Accretion expenses	45,405	40,821	75,010	80,570
Deferred income tax expenses	-	-	-	(252,512)
Share-based payment - stock options	-	-	-	52,549
Changes in non-cash working capital:				
Account receivables	9,903	(45,341)	(755,035)	(45,198)
Prepaid expenses	(14,763)	(55,636)	(13,440)	(57,160)
Account payables and accrued liabilities	(22,001)	41,623	(472,100)	57,105
Customer deposit	10,000	-	10,000	-
Deferred revenue	-	(285,648)	-	(1,715,690)
	(609,766)	(814,510)	(1,495,168)	(1,933,074)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Long term investment	-	(240,805)	-	(240,805)
Purchase of property and equipment	-	(2,211)	(8,271)	(14,310)
Purchase of property under development	-	(198,444)	3,343,913	(7,321,255)
Purchase of trade-marks	(86)	(258)	(3,122)	(1,152)
	(86)	(441,718)	3,332,520	(7,577,522)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related parties	(110,728)	(13,550)	(334,559)	(13,550)
Issuance of common shares, net of costs	-	-	397,250	1,472,249
Issuance of warrants	-	-	-	444,820
Issuance of convertible debentures	-	-	-	2,404,841
Proceeds from mortgage loan	-	-	-	3,500,000
	(110,728)	(13,550)	62,691	7,808,360
CHANGE IN CASH DURING THE PERIOD	(720,580)	(1,269,778)	1,900,044	(1,702,236)
CASH, BEGINNING OF THE PERIOD	4,101,632	3,812,306	1,481,008	4,244,764
CASH, END OF THE PERIOD	\$ 3,381,052	\$ 2,542,528	\$ 3,381,052	\$ 2,542,528

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
For the three and nine months ended February 28, 2019 and 2018
(All dollar amounts expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Element Lifestyle Retirement Inc. (the “Company” or “ELM”) was incorporated under the British Columbia Company Act on May 31, 2007. The Company completed a Share Exchange Agreement with the shareholders of Element Lifestyle Retirement Inc. (“Element”), a private company which was incorporated under the Business Corporations Act (British Columbia) on June 12, 2013. Pursuant to which the Element shareholders transferred all of their common shares and preferred shares in exchange for common shares of Sonoma on a 1:1 ratio. The transaction resulted in the former Element shareholders owning approximately 60% of the issued and outstanding common shares of the resulting issuer, and therefore constituted a Reverse Takeover (the “RTO”) under the policies of the TSXV Exchange. The ongoing entity has adopted the name Element Lifestyle Retirement Inc. on December 2, 2015 and resumed trading of the common shares of the Company on the TSXV, under the new name and symbol (ELM) on December 4, 2015. The former Element Lifestyle Retirement Inc. has been identified for accounting purposes as the acquirer, now a wholly-owned subsidiary of the Company, has changed its name to Element Lifestyle Management Inc. and accordingly the entity is considered to be a continuation of Element Lifestyle Retirement Inc.

The Company provides development management services for senior retirement communities. The head office and principal address of the Company is located at 1147 Homer Street, Vancouver, BC, V6B 2Y1.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Element Lifestyle Management Inc., Element Lifestyle Retirement (Hong Kong) Ltd. and Element Lifestyle (Vic Harbour West) Inc. as well as 51% owned subsidiary of Element Provita Services (Hong Kong) Ltd.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. If the going concern assumption was not appropriate for these unaudited condensed consolidated interim financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

As of February 28, 2019 and May 31, 2018, the Company reported the following:

	Feb 28, 2019	May 31, 2018
Deficit	\$ 5,770,282	\$ 5,352,757
Working capital	\$ 5,891,082	\$ (2,548,877)

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2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s May 31, 2018, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors for issue on April 25, 2019.

3. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company, which consist of:

- Element Lifestyle Management Inc., which was incorporated in British Columbia – owned 100% by the Company.
- Element Lifestyle Retirement (Hong Kong) Ltd., which was incorporated in Hong Kong – owned 100% by the Company.
- Element Lifestyle (Vic Harbour West) Inc., which was incorporated in British Columbia – owned 100% by the Company.
- Element Provita Services (Hong Kong) Ltd., which was incorporated in Hong Kong – owned 51% by Element Lifestyle Retirement (Hong Kong) Ltd.

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

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unaudited condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION
UNCERTAINTY

In preparing these condensed consolidated interim financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited financial statements for the year ended May 31, 2018.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those applied to the annual audited financial statements for the year ended May 31, 2018.

5. OTHER RECEIVABLES

	Feb 28, 2019	May 31, 2018
GST receivable	\$ 53,844	\$ 26,103
Note receivable	704,247	-
Interest receivable	23,046	-
	\$ 781,138	\$ 26,103

The note receivable of \$704,247 is a promissory note with the interest rate at Royal Bank of Canada Prime Rate plus four percent (4%). Payment in full of the principal amount plus interest is due on demand. It is not secured. The company had accrued interest receivable of \$23,046 for the outstanding period since October 1, 2018.

As of February 28, 2019, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

6. LONG TERM INVESTMENTS

On April 11, 2018, Element Lifestyle (Vic Harbour West) Inc., the General Partner of Aquara Limited Partnership, contributed \$10 to the Limited Partnership initially.

On December 5, 2018, Element Lifestyle Retirement (Hong Kong) Ltd. invested \$9 (HKD 51) to Element Provita Services (Hong Kong) Ltd. for 51% of ownership.

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7. PROPERTY AND EQUIPMENT

Property and equipment for the three months ended February 28, 2019 and year ended May 31, 2018 were as follows:

	Furniture & fixtures	Computer equipment	Software	Leasehold improvement	Total
Cost					
May 31, 2018	\$ 60,786	\$ 30,303	\$ -	\$ 459,217	\$ 550,306
Additions	-	7,371	900	-	8,271
February 28, 2019	60,786	37,674	900	459,217	558,577
Accumulated amortization					
May 31, 2018	22,934	16,944	-	178,747	218,625
Additions	5,583	7,155	300	64,884	77,922
February 28, 2019	28,517	24,099	300	243,631	296,547
Net book value					
May 31, 2018	\$ 37,852	\$ 13,359	\$ -	\$ 280,470	\$ 331,681
February 28, 2019	\$ 32,269	\$ 13,575	\$ 600	\$ 215,586	\$ 262,030

8. TRADE-MARKS

As at February 28, 2019, the Company had incurred legal fees of \$21,963 (2018 - \$18,841) regarding three trade-marks.

9. ACCOUNT PAYABLES

	Feb 28, 2019	May 31, 2018
Accounts payables	\$ 55,789	\$ 185,221
Interest payable	29,288	73,210
Salaries and benefits payable	29,025	327,771
	\$ 114,102	\$ 586,202

10. CUSTOMER DEPOSIT

On January 30, 2019, the Company signed a development consulting services agreement with a third party and received \$10,000 retainer for the consulting work will be performed by the Company.

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11. CONVERTIBLE DEBENTURES

On August 29, 2018, the Company issued \$2,510,000 in unsecured convertible debentures (the “Debentures”). The Debentures bear interest at 7% per annum with a term of 5 years. Each Debenture is convertible into common shares of the Company at a price of \$0.30 per share.

The following table summarizes the Company’s convertible debentures as at February 28, 2019 and May 31, 2018:

	Feb 28, 2019	May 31, 2018
Issued	\$ 2,510,000	\$ 2,510,000
Equity portion of convertible loan - Gross	(971,199)	(971,199)
Financing fees	(64,469)	(64,469)
Accretion expense	255,162	122,492
Loan portion of convertible loan	\$ 1,729,494	\$ 1,596,824
	Feb 28, 2019	May 31, 2018
Equity portion of convertible loan - Gross	\$ 971,199	\$ 971,199
Equity portion of financing cost	(40,689)	(40,689)
Deferred tax related to conversion feature	(252,512)	(252,512)
Equity portion of convertible loan - net	\$ 677,998	\$ 677,998

12. SHARE CAPITAL

Authorized: unlimited number of common shares with no par value.

Issued or allotted and fully paid:

a) Common shares

During the period ended February 28, 2019, the Company did not issue any new shares.

b) Escrow Shares

On December 2, 2018, a total 8,910,000 common shares were released from escrow. As a result, no shares are subject to resale restriction.

c) Warrants

A summary of activity and changes in warrants during the period ended February 28, 2019 is presented below:

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	Number of warrants	Weighted Average Exercise Price
Balance – May 31, 2018	6,323,055	\$ 0.30
Granted	-	-
Balance – February 28, 2019	6,323,055 ^(*)	\$ 0.30

(*) Exercisable at a price of \$0.30 per share until June 30, 2019, granted on June 30, 2018.

d) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at February 28, 2019:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2018	1,360,000	\$ 0.25
Granted	-	-
Balance – February 28, 2019	1,360,000 ^(*)	0.25

(*) 800,000 stock options expire on May 26, 2021, 160,000 stock options expire on February 24, 2022 and 400,000 stock options expire on September 28, 2022.

As of February 28, 2019, the weighted average fair value of the options granted is \$0.09 per option, and the weighted average remaining contractual life of the options issued and outstanding is 2.72 years.

13. RELATED PARTY TRANSACTIONS

During the period ended February 28, 2019, the Company:

- (a) paid rent of \$34,944 (2018: \$31,492) to a company controlled by a director;
- (b) incurred director fees of \$8,000 (2018: \$8,000) regarding the Company's independent directors;
- (c) Accrued \$13,741 (2018: \$nil) of interest receivables on the promissory note issued from Aquara LP for the period.
- (d) Paid \$44,401 of development expenses on behalf of Aquara LP.

On December 5, 2018, Element Lifestyle Retirement (Hong Kong) Ltd. invested \$9 (HKD 51) to Element Provita Services (Hong Kong) Ltd. for 51% of ownership. The payment was outstanding as at February 28, 2019.

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As at February 28, 2019, \$10,477 (2018: \$nil) was receivable from a certain director who is also any employee of the Company for travel expenses and \$127,750 (2018: \$nil) was receivable from the companies controlled by certain directors.

As at February 28, 2019, \$1,687,021(2018: \$nil) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

14. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three months ended February 28, 2019 and 2018 were as follows:

	Three Months Ended		Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
Salaries and short-term employee benefits	\$ 298,025	\$ 289,215	\$ 817,724	\$ 848,685

15. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at February 28, 2019, the Company's financial instruments consisted of cash, other receivables, account payables and accrued liabilities, customer deposit and convertible debentures. The fair values of other receivables, account payables and accrued liabilities, and customer deposit approximate their carrying values because of their current nature.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 – Inputs that are not based on observable market date

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The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Feb 28, 2019	May 31, 2018
Financial Assets:					
Cash	\$ 3,381,052	\$ -	\$ -	\$ 3,381,052	\$ 1,481,008
Other receivables	781,138	-	-	781,138	26,103
Total financial assets	\$ 4,162,190	\$ -	\$ -	\$ 4,162,190	\$ 1,507,111
Financial Liabilities:					
Accounts payable and accrued liabilities	\$ 114,102	\$ -	\$ -	\$ 114,102	\$ 586,202
Customer deposit	10000	-	-	10,000	-
Mortgage loan	-	-	-	-	3,500,000
Convertible debentures	-	-	1,729,494	1,729,494	1,596,824
Total financial liabilities	\$ 124,102	\$ -	\$ 1,729,494	\$ 1,853,596	\$ 5,683,026

The Company's financial instruments are exposed to risks that are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's concentrations of credit risks consist principally of cash, trade & other receivables and advances to employees. To minimize the credit risk on cash, the Company places the instrument with a high credit quality financial institution. The Company assesses collectability of specific accounts receivable and also, assesses the requirement for a provision based on historical experience.

Liquidity Risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company manages its liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to significant currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the period ended February 28, 2019, the Company's revenues and expenses

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were recorded in Canadian dollars. Management has determined that the Company is not exposed to significant currency risk because most transactions are in Canadian dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the Company's debentures is at a fixed interest rate.

16. CAPITAL MANAGEMENT

The Company defines its capital as items included in shareholders' equity and debt, net of cash.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company has issued additional shares. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and market and economic conditions at the time of the transaction.

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and forecasts its future cash flows, based on actual and forecasted operating results and other investing and financing activities. This information along with possible alternatives are reviewed by management and the Board of Directors of the Company on a regular basis to ensure the best mix of capital resources meet the Company's needs. The Company makes strategic and financial adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and the current outlook for the business and for the industry in general.