

**ELEMENT LIFESTYLE RETIREMENT INC.**

**Unaudited Condensed Consolidated Interim Financial Statements**

**Three and Nine Months Ended February 29, 2020 and February 28, 2019**

## **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.**

	Page
INDEX	
FINANCIAL STATEMENTS	
Unaudited Condensed Consolidated Interim Statements of Financial Position . . . . .	2
Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income . . . . .	3
Unaudited Condensed Consolidated Interim Statements of Changes in Equity . . . . .	4
Unaudited Condensed Consolidated Interim Statements of Cash Flows . . . . .	5
Notes to the Unaudited Condensed Consolidated Interim Financial Statements . . . . .	6 – 17

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

	Feb 29, 2020	May 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 726,277	\$ 2,474,440
Accounts receivable (Note 5)	142,340	37,158
Other receivables	22,778	111,572
Note receivable	704,247	704,247
Prepaid expenses	22,810	17,208
Due from related parties (Note 12)	1,750,547	1,765,732
<b>Total current assets</b>	<b>3,368,999</b>	<b>5,110,357</b>
Long term investment	19	19
Property and equipment (Note 6)	330,591	258,209
Trade-marks (Note 7)	26,527	21,876
<b>Total assets</b>	<b>\$ 3,726,136</b>	<b>\$ 5,390,461</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 84,107	\$ 163,483
Customer deposit	10,000	10,000
Lease liabilities - current (Note 10)	78,816	-
<b>Total current liabilities</b>	<b>172,923</b>	<b>173,483</b>
Convertible debentures (Note 9)	1,923,687	1,776,122
Lease liabilities - long term (Note 10)	68,720	-
<b>Total long term liabilities</b>	<b>1,992,407</b>	<b>1,776,122</b>
<b>Total liabilities</b>	<b>2,165,330</b>	<b>1,949,605</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	9,166,702	9,166,702
Share issuance costs	(260,385)	(260,385)
Reserve - options	144,311	144,311
Reserve - warrants	-	444,820
Equity component of convertible debentures	677,998	677,998
Contributed surplus	487,255	42,435
Deficit	(8,655,078)	(6,775,025)
	<b>1,560,802</b>	<b>3,440,856</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,726,133</b>	<b>\$ 5,390,461</b>

On behalf of the Board

"Don Ho" Director

"John Gilbert" Director

The accompanying notes are an integral part of these condensed 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 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
<b>REVENUE</b>				
Consulting fees	\$ 60,000	\$ 35,000	\$ 60,000	\$ 1,179,051
<b>EXPENSES</b>				
Accretion expenses	50,503	45,405	147,566	75,010
Advertising and promotion	18,952	24,096	74,753	77,737
Amortization	48,736	26,210	145,414	77,922
Consulting fees	35,500	56,859	148,505	243,837
General & administration	51,170	42,506	150,702	190,253
Interest expenses	45,848	43,926	140,525	73,210
Professional fees	14,892	5,779	48,748	74,953
Rent	14,096	33,944	43,194	102,675
Salaries, wages and benefits	287,511	408,035	1,068,086	1,151,270
Travel	15,136	26,569	58,678	62,292
	<b>582,344</b>	<b>713,329</b>	<b>2,026,171</b>	<b>2,129,159</b>
<b>OTHER INCOME</b>				
Other income	17,451	13,809	86,118	27,646
Gain on disposal of capital property	-	-	-	302,638
Sale of land inventory	-	-	-	202,299
<b>INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (504,893)</b>	<b>\$ (664,520)</b>	<b>\$ (1,880,053)</b>	<b>\$ (417,525)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.007)</b>	<b>\$ (0.009)</b>	<b>\$ (0.027)</b>	<b>\$ (0.006)</b>
<b>Weighted average number of shares outstanding</b>	<b>70,478,299</b>	<b>70,478,299</b>	<b>70,478,299</b>	<b>69,144,966</b>

The accompanying notes are an integral part of these condensed 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, 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 \$	144,310 \$	(260,385) \$	(5,770,282) \$	4,445,599

	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, 2019	70,478,299 \$	9,166,702 \$	444,820 \$	42,435 \$	677,998 \$	144,311 \$	(260,385) \$	(6,775,025) \$	3,440,856
Expired warrants ( <i>Note 11</i> )	-	-	(444,820)	444,820	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	-	-	-	(1,880,053)	(1,880,053)
Balance, Feb 29, 2020	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(8,655,078) \$	1,560,803

The accompanying notes are an integral part of these condensed 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 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>				
Income (loss) for the period	\$ (504,893)	\$ (212,851)	\$ (1,880,053)	\$ 244,209
Items not affecting cash:				
Amortization	48,736	26,115	145,414	51,713
Accretion expenses	50,503	29,606	147,566	29,606
Interest expense	1,900	-	6,394	-
Changes in non-cash working capital:				
Accounts receivable	(142,340)	-	(142,340)	-
Other receivables	47,524	(771,559)	125,952	(764,938)
Prepaid expenses	(9,160)	8,755	(5,602)	2,909
Accounts payable and accrued liabilities	(17,977)	(7,137)	(79,376)	(450,099)
	<b>(525,707)</b>	<b>(927,071)</b>	<b>(1,682,045)</b>	<b>(886,600)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(2,139)	(4,773)	(13,652)	(8,271)
Purchase (sale) of property under development	-	3,694,942	-	3,343,913
Purchase of trade-marks	(364)	(1,874)	(4,651)	(3,036)
	<b>(2,503)</b>	<b>3,688,295</b>	<b>(18,303)</b>	<b>3,332,606</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Due from related parties	383,162	(272,774)	15,185	(225,382)
Issuance of common shares, net of costs	-	-	-	400,000
Repayment of other long-term liabilities	(21,000)	-	(63,000)	-
	<b>362,162</b>	<b>(272,774)</b>	<b>(47,815)</b>	<b>174,618</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(166,048)</b>	<b>2,488,450</b>	<b>(1,748,163)</b>	<b>2,620,625</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>892,325</b>	<b>1,613,182</b>	<b>2,474,440</b>	<b>1,481,007</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 726,277</b>	<b>\$ 4,101,632</b>	<b>\$ 726,277</b>	<b>\$ 4,101,632</b>

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

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(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.

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 29, 2020 and May 31, 2019, the Company reported the following:

	Feb 29, 2020	May 31, 2019
Deficit	\$ (8,655,078)	\$ (6,775,025)
Working capital	\$ 3,196,076	\$ 4,936,874



# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

*(All dollar amounts expressed in Canadian dollars)*

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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”). Except for the adoption of IFRS 16, Leases (“IFRS 16”), as described in Note 4 to these condensed interim consolidated financial statements, these condensed interim consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the May 31, 2019 audited annual consolidated financial statements. 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, 2019, 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 22, 2020.

### 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.

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

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

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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, 2019.

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, 2019.

The Company has adopted the following new or amended IFRS standards for the interim and annual periods beginning on June 1, 2019.

##### **Adoption of IFRS 16, Leases and resulting changes to lease accounting policy**

On June 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17, Leases ("IAS 17") and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4").

##### **(a) Lease accounting policy applicable from June 1, 2019**

###### Definition of a lease

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys this right the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

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At inception or reassessment of a contract that contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

### Accounting as a lessee under IFRS 16

The Company recognizes a right-of-use asset and lease liability on the consolidated statements of financial position at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of its useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise (a) fixed payments, including in-substance fixed payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and (d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of operations if the carrying amount of the right-of-use asset has been reduced to \$nil.

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

### (b) Transition to IFRS 16

#### Practical expedients

On transition to IFRS 16, the Company elected to apply the practical expedient to make the assessment of which transactions represent leases. The Company applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed, on or after June 1, 2019.

The Company used the following additional practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;

#### Impacts on consolidated financial statements

On transition to IFRS 16, the Company elected to measure the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. As at June 1, 2019, the Company recognized \$204,144 of right-of-use assets, and \$204,144 of lease liabilities, with a nil impact on deficit. The transition to IFRS 16 did not have a material impact on the Company's results of operations or liquidity.

When measuring lease liabilities, the Company used its incremental borrowing rate at June 1, 2019, which was 4.95%. Right-of-use assets are recognized in Property, plant and equipment (see Note 6), and lease liabilities are recognized in Lease liabilities (see Note 10)

## 5. ACCOUNTS RECEIVABLE

	Feb 29, 2020	May 31, 2019
Accounts receivable (Note 12)	\$ 63,000	\$ -
Interest receivable (Note 12)	79,341	37,158
	\$ 142,341	\$ 37,158

As of February 29, 2020, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

### 6. PROPERTY AND EQUIPMENT

Property and equipment for the six months ended February 29, 2020 and year ended May 31, 2019 were as follows:

#### ELEMENT LIFESTYLE RETIREMENT INC.

	Furniture & fixtures	Computer equipment	Computer software	Leasehold improvement	Right-of-use assets	Total
<b>Cost</b>						
May 31, 2019	\$ 60,786	\$ 66,884	\$ 9,627	\$ 459,897	\$ -	\$ 597,194
Additions	-	10,488	3,164	-	-	13,652
IFRS 16 adoption	-	-	-	-	204,144	204,144
February 29, 2020	60,786	77,372	12,791	459,897	204,144	814,990
<b>Accumulated amortization</b>						
May 31, 2019	30,504	33,364	9,177	265,940	-	338,985
Additions	4,542	15,591	1,129	64,884	59,268	145,414
February 29, 2020	35,046	48,955	10,306	330,824	59,268	484,399
<b>Net book value</b>						
May 31, 2019	\$ 30,282	\$ 33,520	\$ 3,614	\$ 193,957	\$ -	\$ 258,209
February 29, 2020	\$ 25,740	\$ 28,417	\$ 2,485	\$ 129,073	\$ 144,876	\$ 330,591

### 7. TRADE-MARKS

As at February 29, 2020, the Company had incurred legal fees of \$26,527 (2019 - \$21,877) regarding three trade-marks.

### 8. ACCOUNTS PAYABLE

	Feb 29, 2020	May 31, 2019
Accounts payable	\$ 35,271	\$ 68,591
Interest payable	29,284	73,214
Salaries and benefits payable	19,552	21,678
	\$ 84,107	\$ 163,483

### 9. CONVERTIBLE DEBENTURES

On August 29, 2017, 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 29, 2020 and May 31, 2019:

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

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	Feb 29, 2020	May 31, 2019
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	449,355	301,790
Loan portion of convertible loan	\$ 1,923,687	\$ 1,776,122

	Feb 29, 2020	May 31, 2019
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

### 10. Lease liabilities

A continuity of lease liabilities for the three months ended February 29, 2020, is as follows:

As at June 1, 2019	204,144
Lease additions	-
Lease payments	(63,000)
Interest expense on lease liabilities	6,392
<b>As at February 29, 2020</b>	<b>147,536</b>

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

Less than one year	84,000
One to five years	70,000
Total undiscounted lease liabilities at February 29, 2020	154,000

### 11. 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 29, 2020, the Company did not issue any new shares.

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

### b) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at February 29, 2020 and May 31, 2019:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2019	1,360,000	\$ 0.25
Granted	-	-
Balance – February 29, 2020	1,360,000 <sup>(*)</sup>	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 29, 2020, the weighted average remaining contractual life of the options issued and outstanding is 1.72 years.

## 12. RELATED PARTY TRANSACTIONS

During the period ended February 29, 2020, the Company:

- (a) charged \$60,000 plus GST \$3,000 to a partnership controlled by a director for senior home management services (note 5);
- (b) paid office lease liabilities and related expenses of \$35,835 (2019: \$34,944) to a company controlled by a director;
- (c) incurred director fees of \$10,000 (2019: \$8,000) regarding the Company's independent directors;
- (d) paid \$31,544 (2019: \$44,401) of development costs for Aquara LP;
- (e) accrued \$13,959 (2019: \$13,741) of interest receivable on the promissory note issued from Aquara LP;
- (f) received \$500,000 (2019: \$nil) for an outstanding loan receivable from a company controlled by a director;
- (g) paid \$64,858 (2019: \$nil) for expenses on behalf of a company controlled by a director; and

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

As at February 29, 2020, \$30,654 (2019: \$10,477) was receivable from a certain director for travel expenses and \$220,097 (2019: \$127,750) was receivable from the companies controlled by certain directors for expenses paid on behalf of these companies and \$63,000 (2019: \$nil) was receivable for management fees charged for the period (note 5).

As at February 29, 2020, \$1,499,796 (2019: \$1,687,021) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project and \$79,341 (2019: \$37,158) for accrued interest associated with outstanding note receivable of \$704,247 (note 5).

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.

### 13. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three months ended February 29, 2020 and February 28, 2019 were as follows:

	Three Months Ended		Nine Months Ended	
	Feb 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
Salaries and short-term employee benefits	\$ 153,236	\$ 298,025	\$ 553,278	\$ 817,724
Total	\$ 153,236	\$ 298,025	\$ 553,278	\$ 817,724

### 14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at February 29, 2020, the Company's financial instruments consisted of cash, other receivables, note receivable, accounts payable and accrued liabilities, customer deposit, convertible debentures and lease liabilities. The fair values of other receivables, note receivable, and accounts payable 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



# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

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

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 29, 2020	May 31, 2019
<b>Financial Assets:</b>					
Cash	\$ 726,277	\$ -	\$ -	\$ 726,277	\$ 2,474,440
Accounts receivable	142,340	-	-	142,340	-
Other receivables	22,778	-	-	22,778	111,572
Note receivable	704,247	-	-	704,247	704,247
<b>Total financial assets</b>	<b>\$ 1,595,642</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,595,642</b>	<b>\$ 3,290,259</b>
<b>Financial Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 84,107	\$ -	\$ -	\$ 84,107	\$ 163,483
Customer deposit	10000	-	-	10,000	10,000
Convertible debentures	-	-	1,923,687	1,923,687	1,776,122
Lease liabilities	-	-	147,536	147,536	147,536
<b>Total financial liabilities</b>	<b>\$ 94,107</b>	<b>\$ -</b>	<b>\$ 2,071,223</b>	<b>\$ 2,165,330</b>	<b>\$ 2,097,141</b>

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 is exposed to the risk of repaying \$2.5 million convertible debentures if not converted. 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.

# ELEMENT LIFESTYLE RETIREMENT INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 29, 2020 and February 28, 2019

(All dollar amounts expressed in Canadian dollars)

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### *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 November 30, 2019, the Company's revenues and expenses 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 mortgage loan and debentures are all at fixed interest rates.

## 15. 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

# **ELEMENT LIFESTYLE RETIREMENT INC.**

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended February 29, 2020 and February 28, 2019**

*(All dollar amounts expressed in Canadian dollars)*

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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.

### **16. SUBSEQUENT EVENT**

There were no subsequent events that need disclosure.