

ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Six Months Ended November 30, 2020 and 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.

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ELEMENT LIFESTYLE RETIREMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	Nov 30, 2020	May 31, 2020
ASSETS		
Current		
Cash	\$ 361,152	\$ 335,908
Other receivables (Note 5)	153,464	123,581
Note receivable	704,247	704,247
Prepaid expenses	7,995	14,053
Due from related parties (Note 11)	1,274,827	1,892,474
Total current assets	2,501,685	3,070,263
Long term investment	19	19
Property and equipment (Note 6)	193,387	283,018
Trade-marks	27,147	27,147
Total assets	\$ 2,722,238	\$ 3,380,447
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 156,949	\$ 186,845
Customer deposit	10,000	10,000
Lease liabilities- current (Note 9)	74,819	79,795
Total current liabilities	241,768	276,640
Long term liabilities		
Convertible debentures (Note 8)	2,083,513	1,975,552
Lease liabilities - long term (Note 9)	13,971	48,400
Total long term liabilities	2,097,484	2,023,952
Total liabilities	2,339,252	2,300,592
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	9,166,702	9,166,702
Share issuance costs (Note 10)	(260,385)	(260,385)
Reserve - options (Note 10)	144,311	144,311
Equity component of convertible debentures (Note 8)	677,998	677,998
Contributed surplus (Note 10)	487,255	487,255
Deficit	(9,832,895)	(9,136,026)
Total shareholders' equity	382,986	1,079,855
Total liabilities and shareholders' equity	\$ 2,722,238	\$ 3,380,447

On behalf of the Board

"John Gilbert" _____ Director

"Don Ho" _____ 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		Six Months Ended	
	Nov 30, 2020	Nov 30, 2019	Nov 30, 2020	Nov 30, 2019
REVENUE				
Consulting fees	\$ 60,000	\$ -	\$ 120,000	\$ -
EXPENSES				
Accretion expenses	54,699	49,177	107,961	97,063
Advertising and promotion	11,078	31,042	26,350	55,800
Amortization	46,297	68,845	92,896	97,178
Consulting fees	375	70,244	2,386	113,005
General & administration	47,377	45,697	101,035	104,028
Interest expenses	43,926	45,830	87,850	90,181
Professional fees	45,277	27,862	19,436	33,856
Rent	11,006	14,835	22,903	29,098
Salaries, wages and benefits	169,152	408,041	401,651	780,576
Travel	3,126	23,255	7,177	43,542
	432,313	784,828	869,645	1,444,327
OTHER INCOME				
Other income	11,325	20,817	22,776	68,667
Rental income	15,000	-	30,000	-
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ (345,988)	\$ (764,011)	\$ (696,869)	\$ (1,375,660)
Basic and diluted loss per common share	\$ (0.005)	\$ (0.011)	\$ (0.010)	\$ (0.020)
Weighted average number of shares outstanding	70,478,299	70,478,299	70,478,299	70,478,299

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, 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	-	-	-	-	-	-	-	(1,375,660)	(1,375,660)
Balance, Nov 30, 2019	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(8,150,685) \$	2,065,196

	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, 2020	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(9,136,026) \$	1,079,855
Comprehensive income for the period	-	-	-	-	-	-	-	(696,869)	(696,869)
Balance, Nov 30, 2020	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(9,832,895) \$	382,986

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		Six Months Ended	
	Nov 30, 2020	Nov 30, 2019	Nov 30, 2020	Nov 30, 2019
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	\$ (345,988)	\$ (764,012)	\$ (696,869)	\$ (1,375,660)
Items not affecting cash:				
Amortization	46,297	68,845	92,896	97,178
Accretion expenses	54,699	49,177	107,961	97,063
Interest expense	1,176	2,131	2,595	4,494
Changes in non-cash working capital:				
Account receivables	(28,046)	15,882	(29,883)	78,428
Prepaid expenses	(911)	3,700	6,058	3,558
Account payables and accrued liabilities	27,219	(14,072)	(29,896)	(61,399)
	(245,554)	(638,349)	(547,138)	(1,156,338)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of property and equipment	(3,265)	(4,742)	(3,265)	(11,511)
Purchase of trade-marks	-	(2,300)	-	(4,287)
	(3,265)	(7,042)	(3,265)	(15,798)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related parties	450,073	(219,277)	617,647	(367,977)
Repayment of other long-term liabilities	(21,000)	(21,000)	(42,000)	(42,000)
	429,073	(240,277)	575,647	(409,977)
CHANGE IN CASH DURING THE PERIOD	180,254	(885,668)	25,244	(1,582,112)
CASH, BEGINNING OF THE PERIOD	180,898	1,777,996	335,908	2,474,440
CASH, END OF THE PERIOD	\$ 361,152	\$ 892,328	\$ 361,152	\$ 892,328

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 six months ended November 30, 2020 and 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.

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,

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these condensed interim consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the May 31, 2020 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, 2020, 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 January 21, 2021.

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 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.

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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, 2020.

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, 2020.

5. OTHER RECEIVABLES

	Nov 30, 2020	May 31, 2020
Accounts receivable	\$ 36,750	\$ 21,000
GST receivable	2,619	11,217
Other receivables	114,095	91,364
	\$ 153,464	\$ 123,581

As of November 30, 2020, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

6. PROPERTY AND EQUIPMENT

Property and equipment for the Three and Six months ended November 30, 2020 and year ended May 31, 2020 were as follows:

	Furniture & fixtures	Computer equipment	Computer software	Leasehold improvement	Right-of-use assets	Total
Cost						
May 31, 2020	\$ 60,786	\$ 77,380	\$ 16,694	\$ 459,216	\$ 204,144	\$ 818,220
Additions	-	-	3,265	-	-	3,265
November 30, 2020	60,786	77,380	19,959	459,216	204,144	821,485
Accumulated amortization						
May 31, 2020	36,560	54,686	13,161	351,771	79,024	535,202
Additions	2,362	5,812	1,954	43,256	39,512	92,896
November 30, 2020	38,922	60,498	15,115	395,027	118,536	628,098
Net book value						
May 31, 2020	\$ 24,226	\$ 22,693	\$ 6,798	\$ 107,445	\$ 125,120	\$ 286,282
November 30, 2020	\$ 21,864	\$ 16,882	\$ 4,844	\$ 64,189	\$ 85,608	\$ 193,387

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Nov 30, 2020	May 31, 2020
Accounts payable and accrued liabilities	\$ 72,042	\$ 98,230
Interest payable	73,210	73,210
Salaries and benefits payable	11,697	15,405
	\$ 156,949	\$ 186,845

8. 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 November 30, 2020 and May 31, 2020:

	Nov 30, 2020	May 31, 2020
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	609,181	501,220
Loan portion of convertible loan	\$ 2,083,513	\$ 1,975,552

	Nov 30, 2020	May 31, 2020
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

9. LEASE LIABILITIES

A continuity of lease liabilities for the Three and Six months ended November 30, 2020, is as follows:

As at June 1, 2020	128,195
Lease additions	-
Lease payments	(42,000)
Interest expense on lease liabilities	2,595
As at November 30, 2020	88,790

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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	7,000
Total undiscounted lease liabilities at November 30, 2020	91,000

10. 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 November 30, 2020, the Company did not issue any new shares.

b) Warrants

There were no warrants outstanding during the period ended November 30, 2020.

c) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at November 30, 2020 and May 31, 2020:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2020	1,360,000	\$ 0.25
Granted	-	-
Balance – November 30, 2020	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 November 30, 2020, the weighted average remaining contractual life of the options issued and outstanding is 0.97 years.

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11. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2020, the Company:

- (a) paid rent of \$32,006 (2020: \$35,835) to a company controlled by a director;
- (b) incurred director fees of \$9,000 (2020: \$10,000) regarding the Company's independent directors;
- (c) accrued \$11,325 (2020: \$14,112) of interest receivable on the promissory note issued from Aquara LP;
- (d) received \$488,069 (2020: \$45,887) from Aquara LP;
- (e) \$69,722 (2020: \$172,907) of expenses paid by companies controlled by a director.

As at November 30, 2020, \$34,508 (2020: \$13,275) was receivable from a certain director for travel expenses and \$190,308 (2020: \$652,177) was receivable from the companies controlled by certain directors.

As at November 30, 2020, \$1,050,011 (2020: \$1,468,266) 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.

12. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the Three and Six months ended November 30, 2020 and 2019 were as follows:

	Three Months Ended		Six Months Ended	
	Nov 30, 2020	Nov 30, 2019	Nov 30, 2020	Nov 30, 2019
Salaries and short-term employee benefits	\$ 127,976	\$ 184,746	\$ 256,336	\$ 400,042
Total	\$ 127,976	\$ 184,746	\$ 256,336	\$ 400,042

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13. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at November 30, 2020, the Company's financial instruments consisted of cash, other receivables except GST receivable, note receivable, due from related parties, account payables and accrued liabilities, customer deposit, convertible debentures and lease liabilities. The fair values of other receivables, note receivable, due from related parties, and account payables and other payables, 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 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	Nov 30, 2020	May 31, 2020
Financial Assets:					
Cash	\$ 361,152	\$ -	\$ -	\$ 361,152	\$ 335,908
Other receivables	153,464	-	-	153,464	123,581
Note receivable	704,247	-	-	704,247	704,247
Due from related parties	1,274,827	-	-	1,274,827	1,892,474
Total financial assets	\$ 2,493,690	\$ -	\$ -	\$ 2,493,690	\$ 3,056,210
Financial Liabilities:					
Accounts payable and accrued liabilities	\$ 156,949	\$ -	\$ -	\$ 156,949	\$ 186,845
Customer deposit	10,000	-	-	10,000	10,000
Convertible debentures	-	-	2,083,513	2,083,513	1,975,552
Lease liabilities	-	-	88,790	88,790	128,195
Total financial liabilities	\$ 166,949	\$ -	\$ 2,172,304	\$ 2,339,253	\$ 2,300,592

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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, other receivables and notes receivable. 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 note 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 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 November 30, 2020, 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 debentures is at fixed interest rates.

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14. 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.

15. SUBSEQUENT EVENT

There were no subsequent events that need disclosure.