

ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended February 28, 2021 and February 29, 2020

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 | February 28, 2021 | May 31, 2020 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 113,077 | \$ 335,908 |
| Other receivables (Note 5) | 185,131 | 123,581 |
| Note receivable | 204,247 | 704,247 |
| Prepaid expenses | 22,341 | 14,053 |
| Due from related parties (Note 11) | 1,617,827 | 1,892,474 |
| Total current assets | 2,142,623 | 3,070,263 |
| Long term investment | 19 | 19 |
| Property and equipment (Note 6) | 146,601 | 283,018 |
| Trade-marks | 27,147 | 27,147 |
| Total assets | \$ 2,316,390 | \$ 3,380,447 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 81,816 | \$ 186,845 |
| Customer deposit | 10,000 | 10,000 |
| Lease liabilities- current (Note 9) | 68,730 | 79,795 |
| Total current liabilities | 160,546 | 276,640 |
| Long term liabilities | | |
| Convertible debentures (Note 8) | 2,139,687 | 1,975,552 |
| Lease liabilities - long term (Note 9) | - | 48,400 |
| Total long term liabilities | 2,139,687 | 2,023,952 |
| Total liabilities | 2,300,233 | 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 | (10,199,724) | (9,136,026) |
| Total shareholders' equity | 16,157 | 1,079,855 |
| Total liabilities and shareholders' equity | \$ 2,316,390 | \$ 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 | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|----------------|
| | Feb 28, 2021 | Feb 29, 2020 | Feb 28, 2021 | Feb 29, 2020 |
| REVENUE | | | | |
| Consulting fees | \$ 20,000 | \$ - | \$ 20,000 | \$ - |
| Management fees | 60,000 | 60,000 | 180,000 | 60,000 |
| | 80,000 | 60,000 | 200,000 | 60,000 |
| EXPENSES | | | | |
| Accretion expenses | 56,173 | 50,503 | 164,135 | 147,566 |
| Advertising and promotion | 15,822 | 18,952 | 42,172 | 74,753 |
| Amortization | 46,786 | 48,736 | 139,682 | 145,414 |
| Consulting fees | - | 35,500 | 426 | 148,505 |
| General & administration | 36,712 | 51,170 | 139,714 | 150,702 |
| Interest expenses | 43,926 | 45,848 | 131,776 | 140,525 |
| Professional fees | 4,838 | 14,892 | 24,274 | 48,748 |
| Rent | 13,081 | 14,096 | 35,984 | 43,194 |
| Salaries, wages and benefits | 239,328 | 287,511 | 640,979 | 1,068,086 |
| Travel | 2,691 | 15,136 | 9,867 | 58,678 |
| | 459,358 | 582,344 | 1,329,010 | 2,026,171 |
| OTHER INCOME | | | | |
| Other income | (2,463) | 17,451 | 20,311 | 86,118 |
| Rental income | 15,000 | - | 45,000 | - |
| INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) | \$ (366,820) | \$ (504,893) | \$ (1,063,698) | \$ (1,880,053) |
| Basic and diluted loss per common share | \$ (0.005) | \$ (0.007) | \$ (0.015) | \$ (0.027) |
| 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 | - | - | - | - | - | - | - | (1,880,053) | (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 |

| | 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 | - | - | - | - | - | - | - | (1,063,698) | (1,063,698) |
| Balance, Feb 28, 2021 | 70,478,299 \$ | 9,166,702 \$ | - \$ | 487,255 \$ | 677,998 \$ | 144,311 \$ | (260,385) \$ | (10,199,724) \$ | 16,157 |

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 28, 2021 | Feb 29, 2020 | Feb 28, 2021 | Feb 29, 2020 |
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | | |
| Income (loss) for the period | \$ (366,820) | \$ (504,893) | \$ (1,063,698) | \$ (1,880,053) |
| Items not affecting cash: | | | | |
| Amortization | 46,786 | 48,736 | 139,682 | 145,414 |
| Accretion expenses | 56,173 | 50,503 | 164,135 | 147,566 |
| Interest expense | 1,176 | 1,900 | 3,535 | 6,394 |
| Changes in non-cash working capital: | | | | |
| Account receivables | (31,667) | (142,340) | (61,550) | (105,182) |
| Note receivable | 500,000 | 47,524 | 500,000 | 88,794 |
| Prepaid expenses | (14,346) | (9,160) | (8,288) | (5,602) |
| Account payables and accrued liabilities | (75,133) | (17,977) | (105,029) | (79,376) |
| | 116,169 | (525,707) | (431,213) | (1,682,045) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | - | (2,139) | (3,265) | (13,652) |
| Purchase of trade-marks | - | (364) | - | (4,651) |
| | - | (2,503) | (3,265) | (18,303) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | | |
| Due from related parties | (343,244) | 383,162 | 274,647 | 15,184 |
| Repayment of other long-term liabilities | (21,000) | (21,000) | (63,000) | (63,000) |
| | (364,244) | 362,162 | 211,647 | (47,816) |
| CHANGE IN CASH DURING THE PERIOD | (248,075) | (166,048) | (222,831) | (1,748,163) |
| CASH, BEGINNING OF THE PERIOD | 361,152 | 892,325 | 335,908 | 2,474,440 |
| CASH, END OF THE PERIOD | \$ 113,077 | \$ 726,277 | \$ 113,077 | \$ 726,277 |

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 28, 2021 and February 29, 2020

(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., Element Lifestyle (Vic Harbour West) Inc., and Element Medical Equipment 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,

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

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 April 22, 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.
- Element Medical Equipment 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

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

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

| | Feb 28, 2021 | May 31, 2020 |
|---------------------|--------------|--------------|
| Accounts receivable | \$ 73,500 | \$ 21,000 |
| GST receivable | - | 11,217 |
| Other receivables | 111,631 | 91,364 |
| | \$ 185,131 | \$ 123,581 |

As of February 28, 2021, 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 Nine months ended February 28, 2021 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 |
| February 28, 2021 | 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 | 3,573 | 8,932 | 3,025 | 64,884 | 59,267 | 139,682 |
| February 28, 2021 | 40,134 | 63,618 | 16,185 | 416,655 | 138,291 | 674,884 |
| Net book value | | | | | | |
| May 31, 2020 | \$ 24,226 | \$ 22,693 | \$ 6,798 | \$ 107,445 | \$ 125,120 | \$ 286,282 |
| February 28, 2021 | \$ 20,652 | \$ 13,761 | \$ 3,774 | \$ 42,561 | \$ 65,853 | \$ 146,601 |

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Feb 28, 2021 | May 31, 2020 |
|--|--------------|--------------|
| Accounts payable and accrued liabilities | \$ 37,249 | \$ 98,230 |
| Interest payable | 29,286 | 73,210 |
| Salaries and benefits payable | 15,282 | 15,405 |
| | \$ 81,816 | \$ 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 February 28, 2021 and May 31, 2020:

| | February 28, 2021 | 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 | 665,355 | 501,220 |
| Loan portion of convertible loan | \$ 2,139,687 | \$ 1,975,552 |

| | February 28, 2021 | 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 Nine months ended February 28, 2021, is as follows:

| | |
|---------------------------------------|----------|
| As at May 31, 2020 | 128,195 |
| Lease additions | - |
| Lease payments | (63,000) |
| Interest expense on lease liabilities | 3,535 |
| As at February 28, 2021 | 68,730 |

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

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

| | |
|---|--------|
| Less than one year | 70,000 |
| One to five years | - |
| Total undiscounted lease liabilities at February 28, 2021 | 70,000 |

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 February 28, 2021, the Company did not issue any new shares.

b) Warrants

There were no warrants outstanding during the period ended February 28, 2021.

c) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at February 28, 2021 and May 31, 2020:

| | Number of options | Weighted Average Exercise Price |
|-----------------------------|--------------------------|---------------------------------------|
| Balance – May 31, 2020 | 1,360,000 | \$ 0.25 |
| Granted | - | - |
| Balance – February 28, 2021 | 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, 2021, the weighted average remaining contractual life of the options issued and outstanding is 0.72 years.

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
For the three and Nine months ended February 28, 2021 and February 29, 2020
(All dollar amounts expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

During the period ended February 28, 2021, the Company:

- (a) paid rent of \$34,081 (2020: \$35,835) to a company controlled by a director;
- (b) incurred director fees of 5,000 (2020: \$10,000) regarding the Company's independent directors;
- (c) reversed \$2,463 (2020: \$nil) of interest receivable and accrued \$nil (2020: \$13,959) on the promissory note issued from Aquara LP;
- (d) paid \$11,931 (2020: \$31,544) on behalf of Aquara LP;
- (e) \$176,587 (2020: \$64,858) of expenses paid by companies controlled by a director.

As at February 28, 2021, \$41,496 (May 31, 2020: \$12,781) was receivable from a certain director for travel expenses and \$13,721 (May 31, 2020: \$332,461) was receivable from the companies controlled by certain directors.

As at February 28, 2021, \$1,562,610 (May 31, 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 Nine months ended February 28, 2021 and February 29, 2020 were as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------|-------------------|--------------|
| | Feb 28, 2021 | Feb 29, 2020 | Feb 28, 2021 | Feb 29, 2020 |
| Salaries and short-term employee benefits | \$ 109,099 | \$ 153,236 | \$ 327,935 | \$ 553,278 |
| Total | \$ 109,099 | \$ 153,236 | \$ 327,935 | \$ 553,278 |

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at February 28, 2021, 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 | Feb 28, 2021 | May 31, 2020 |
|--|---------------------|-------------|---------------------|---------------------|---------------------|
| Financial Assets: | | | | | |
| Cash | \$ 113,077 | \$ - | \$ - | \$ 113,077 | \$ 335,908 |
| Other receivables | 185,131 | - | - | 185,131 | 123,581 |
| Note receivable | 204,247 | - | - | 204,247 | 704,247 |
| Due from related parties | 1,617,827 | - | - | 1,617,827 | 1,892,474 |
| Total financial assets | \$ 2,120,282 | \$ - | \$ - | \$ 2,120,282 | \$ 3,056,210 |
| Financial Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 81,816 | \$ - | \$ - | \$ 81,816 | \$ 186,845 |
| Customer deposit | 10,000 | - | - | 10,000 | 10,000 |
| Convertible debentures | - | - | 2,139,687 | 2,139,687 | 1,975,552 |
| Lease liabilities | - | - | 68,730 | 68,730 | 128,195 |
| Total financial liabilities | \$ 91,816 | \$ - | \$ 2,208,417 | \$ 2,300,233 | \$ 2,300,592 |

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
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(All dollar amounts expressed in Canadian dollars)

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.

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and Nine months ended February 28, 2021 and February 29, 2020

(All dollar amounts expressed in Canadian dollars)

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.