CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

Element Lifestyle Retirement Inc.

(Formerly "Sonoma Resources Inc.")

For the Three and Six Months ended November 30, 2016

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 interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the consolidated interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting. The Company's independent auditor has not performed a review of these unaudited consolidated interim financial statements in accordance with standards established by the Canadian Institute of Charted Accountants for a review of interim financial statements by an entity's auditor.

ELEMENT LIFESTYLE RETIREMENT INC.

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ELEMENT LIFESTYLE RETIREMENT INC.
(FORMERLY "SONOMA RESOURCES INC.")
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Expressed in Canadian dollars)

	November 30, 2016	May 31, 2016
ASSETS		
Current		
Cash	$ **3,068,471**	$ 3,737,092
Advance to employees *(Note 9)*	**1,588**	664
GST receivable	**8,505**	13,105
Due from related party *(Note 9)*	**12,307**	-
Prepaid expenses	**7,470**	870
	3,098,341	3,751,731
Capital assets	**241,730**	79,399
Total assets	$ **3,340,071**	$ 3,831,130
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **69,129**	$ 108,470
Deferred revenue (*Note 9*)	**-**	500,000
	69,129	608,470
SHAREHOLDERS' EQUITY		
Common shares *(Note 7)*	**6,682,300**	5,972,500
Share issuance costs *(Note 7)*	**(225,482)**	(225,482)
Reserve - options (*Note 7*)	**88,893**	88,893
Reserve - warrants (*Note 7*)	**24,656**	24,656
Deficit	**(3,299,425)**	(2,637,907)
	3,270,942	3,222,660
Total liabilities and shareholders' equity	$ **3,340,071**	$ 3,831,130

ELEMENT LIFESTYLE RETIREMENT INC.
(FORMERLY "SONOMA RESOURCES INC.")
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHESIVE LOSS
(Unaudited – Expressed in Canadian dollars)

	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015	Six Months Ended November 30, 2016	Six Months Ended November 30, 2015
REVENUE				
Consulting fees	$ **500,000**	$ 42,500	$ **500,000**	$ 143,389
EXPENSES				
Advertising and promotion	**10,900**	10,692	**26,094**	40,143
Amortization	**39,637**	9,546	**63,697**	18,902
Consulting fees	**61,272**	68,055	**97,916**	78,555
Insurance	**6,672**	-	**6,671**	4,055
Meals and entertainment	**7,410**	4,062	**14,991**	7,667
General & administration	**16,701**	10,337	**52,282**	17,683
Property investigations and consulting	-	122,246	-	122,246
Professional fees	**57,096**	4,933	**66,271**	24,201
Rent	**30,736**	17,493	**61,726**	35,077
Salaries, wages and benefits	**327,881**	299,378	**655,811**	609,503
Subcontract fees	**12,500**	2,125	**25,000**	8,014
Telephone & utilities	**7,982**	6,451	**19,212**	10,051
Travel	**43,480**	43,226	**71,847**	101,753
	622,267	598,544	**1,161,518**	1,077,850
OTHER INCOME				
Interest income	-	2,617	-	2,617
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ **(122,267)**	$ (553,427)	$ **(661,518)**	$ (931,844)
Basic and diluted loss per common share	$ **(0.00)**	$ (0.02)	$ **(0.01)**	$ (0.04)
Weighted average number of shares outstanding	**55,832,188**	24,000,000	**54,996,778**	24,000,000

ELEMENT LIFESTYLE RETIREMENT INC.
(FORMERLY "SONOMA RESOURCES INC.")
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Expressed in Canadian dollars)

	Common shares outstanding	Paid-in capital	Preferred shares outstanding	Paid-in capital	Warrants	Stock-based compensation reserve	Share issurance costs	Deficit	Total
		$		$	$	$	$	$	$
Balance, May 31, 2015	24,000,000	500,000	7,900,000	515,000	-	-	(30,000)	(367,394)	617,606
Share issurance costs	-	-	-	-	-	-	(14,834)	-	(14,834)
Comprehensive income (loss) for the period	-	-	-	-	-	-	-	(931,844)	(931,844)
Balance, Nov 30, 2015	24,000,000	500,000	7,900,000	515,000	-	-	(44,834)	(1,299,238)	(329,072)

	Common shares outstanding	Paid-in capital	Preferred shares outstanding	Paid-in capital	Warrants	Stock-based compensation reserve	Share issurance costs	Deficit	Total
		$		$	$	$	$	$	$
Balance, May 31, 2016	53,102,188	5,972,500	-	-	24,656	88,893	(225,482)	(2,637,907)	3,222,660
Shares issued from private placement *(Note 7)*	2,730,000	709,800	-	-	-	-	-	-	709,800
Comprehensive income (loss) for the period	-	-	-	-	-	-	-	(661,518)	(661,518)
Balance, Nov 30, 2016	55,832,188	6,682,300	-	-	24,656	88,893	(225,482)	(3,299,425)	3,270,942

ELEMENT LIFESTYLE RETIREMENT INC.
(FORMERLY "SONOMA RESOURCES INC.")
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Expressed in Canadian dollars)

	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015	Six Months Ended November 30, 2016	Six Months Ended November 30, 2015
OPERATING ACTIVITIES				
Loss for the period	$ **(165,243)**	$ (553,427)	$ **(704,494)**	$ (931,844)
Items not affecting cash:				
Amortization	**39,637**	9,546	**63,697**	18,902
Changes in non-cash working capital:				
Accounts receivable	**-**	41,775	**-**	30,625
Other accounts receivable	**-**	(82,831)	**-**	(114,228)
Advance	**4,051**	-	**(924)**	-
Prepaid expenses	**10,006**	(27,500)	**(6,600)**	(27,500)
Tax receivables	**6,764**	(7,816)	**4,600**	(54,352)
Accounts payable and accrued liabilities	**20,194**	(30,095)	**3,635**	(49,150)
Deferred revenue	**(500,000)**	500,000	**(500,000)**	500,000
	(584,589)	**(150,348)**	**(1,140,087)**	**(627,547)**
INVESTING ACTIVITIES				
Purchase of capital assets	**(148,322)**	(1,939)	**(226,028)**	(3,262)
	(148,322)	(1,939)	**(226,028)**	(3,262)
FINANCING ACTIVITIES				
Due from related party	**(12,307)**	(43,702)	**(12,307)**	(3,024)
Issuance of common shares	**-**	-	**709,800**	-
Share issuance costs	**-**	(4,933)	**-**	(14,835)
	(12,307)	(48,635)	**697,493**	(17,859)
CHANGE IN CASH DURING THE PERIOD	**(745,218)**	(200,922)	**(668,621)**	(648,668)
CASH, BEGINNING OF THE PERIOD	**3,813,689**	303,419	**3,737,092**	751,165
CASH, END OF THE PERIOD	$ **3,068,471**	$ 102,497	$ **3,068,471**	$ 102,497

(Unaudited – Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Element Lifestyle Retirement Inc. (the "Company") (formerly "Sonoma Resources Inc.")("Sonoma") was incorporated under the British Columbia Company Act on May 31, 2007. On December 2, 2015, 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 specialized development expertise and flexible, innovative management services for senior retirement communities. The head office of the Company is located at 1147 Homer Street, Vancouver, BC, V6B 2Y1.

These unaudited consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Element Lifestyle Management Inc. (formerly known as Element Lifestyle Retirement Inc.) and Team Host Development Ltd., which was established in Hong Kong during the year ended May 31, 2016.

These unaudited 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 operations for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. If the going concern assumption were not appropriate for these 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 November 30, 2016 and May 31, 2016, the Company reported the following:

	November 30, 2016	May 31, 2016
Net loss for the period	**$ 122,267**	$ 2,270,513
Deficit	**3,299,425**	2,637,907
Working capital	**3,029,212**	3,143,261

2. STATEMENT OF COMPLIANCE

These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in the preparation of these unaudited consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended May 31, 2016, except as noted below. These unaudited consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2016. These consolidated interim financial statements were authorized for issue by the Board of Directors on January 23, 2017.

3. BASIS OF PRESENTATION

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

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

In preparing these 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, 2016.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements for the year ended May 31, 2016.

5. FINANCIAL INSTRUMENTS

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

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

	Level 1	Level 2	Level 3	November 30, 2016	May 31, 2016
Financial Assets:					
Cash	$ 3,068,471	-	-	$ 3,068,471	$ 3,737,092

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, accounts receivable and advance 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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal & stressed conditions without increasing losses or risking harm to the company's reputation.

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, 2016, the Company's revenues and expenses are in Canadian dollars. The Company only had nominal amount of investment in its Hong Kong subsidiary. As a result, the

(Unaudited – Expressed in Canadian dollars)

Company is not exposed to significant currency risk.

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.

6. INCOME TAXES

Income tax recovery for the period ended November 30, 2016 and 2015 is summarized as follows:

	Three months ended November 30		Six months ended November 30	
	2,016	2,015	**2,016**	2,015
Loss before recovery of income taxes	$ **(122,267)**	$ (553,427)	$ **(661,518)**	$ (931,844)
Statutory tax rate	**26%**	26%	**26%**	26%
Expected income tax recovery	**(31,789)**	(143,891)	**(171,995)**	(242,279)
Non-deductible items	**963**	528	**1,949**	997
Financing costs	**-**	(2,574)	**-**	(3,857)
Change in deferred tax asset not recognized	**30,826**	145,937	**170,046**	245,140
Total income tax expense (recovery)	$ -	$ -	$ -	$ -

As at May 31, 2016, the Company had non-capital loss carry forwards of approximately $4,459,730 (2015: $483,107) which may be carried forward to apply against future year income for Canadian tax purposes, subject to the final determination by taxation authorities.

7. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

On August 27, 2015, the Company issued 31,900,000 common shares in the capital of the Company (the “RTO Shares”) to exchange all of the issued and outstanding securities of Element. Concurrent with the closing of the Transaction, the Company completed a private placement of 17,300,000 shares (the “Financing Shares”) at $0.25 per share for gross proceeds of $4,325,000 (the “Financing”).

The Company paid the Agent, at the closing of the transaction, a $140,000 cash commission and granted 558,152 agent’s warrants. Each agent’s warrant will be exercisable to acquire one additional share for a term of 12 months from the closing of the private placement at a price of $0.25 per share. The agent's warrants have a fair value of $24,656 which was added to share issuance costs. In addition, the Company paid share issuance costs of $170,826, which included agent and administration fees, corporate finance fees, legal and filing fees.

On July 27, 2016, the Company completed a non-brokered private placement of 2,730,000 common shares at a price of $0.26 per share to raise gross proceeds of $709,800.

b) Escrow Shares

As at November 30, 2016, a total 31,900,000 of the RTO Shares were held in escrow and subject to resale restrictions, including a 3-year escrow restriction.

(Unaudited – Expressed in Canadian dollars)

c) Warrants

558,152 warrants were granted and issued on December 2, 2015 with an expiring date of December 2, 2016. A summary of activity and changes in warrants during the period ended November 30, 2016 and 2015 is presented below:

	November 30, 2016	Weighted Average Exercise Price	November 30, 2015	Weighted Average Exercise Price
Balance – Beginning of Year	558,152(1)	0.25	-	-
Granted	-	-	-	-
Balance – End of Period	558,152	0.25	-	-

(1) Exercisable at a price of $0.25 per share until December 2, 2016, granted pursuant to private placement.

The fair value of share purchase warrants granted pursuant to the private placement was estimated to be $24,656 using the Black-Scholes Option Pricing Model with the following assumptions:

	2016
Risk free interest rate	0.48%
Expected dividend yield	0.00%
Expected stock price volatility	44%
Expected option life in years	1
Expected forfeiture rate	100 %

d) Stock-based compensation reserve

(i) Options issued to Directors

On May 26, 2016, the Company granted a total of 1,000,000 options to its directors and management to acquire common shares of the Company for a period of five years at an exercise price of $0.25 per share. All options vested immediately.

The following table reflects the stock-based compensation options issued and outstanding as at November 30, 2016 and 2015:

	November 30, 2016	Weighted Average Exercise Price	November 30, 2015	Weighted Average Exercise Price
Balance – Beginning of Year	1,000,000	0.25	-	-
Granted	-	-	-	-
Balance – End of the Period	1,000,000(1)	0.25	-	-

(1) Exercisable and outstanding as at November 30, 2016

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 4.48 years.

(Unaudited – Expressed in Canadian dollars)

The fair value of share purchase options granted on May 26, 2016 was estimated to be $88,893 using the Black-Scholes Option Pricing Model with the following assumptions:

	2016
Risk free interest rate	0.55%
Expected dividend yield	0.00%
Expected stock price volatility	59%
Expected option life in years	5
Expected forfeiture rate	100 %

8. KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors and key employees. Compensation for the three and six months ended November 30, 2016 and 2015 was as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2016	2015	**2016**	2015
Salaries and short-term employee benefits	**$ 227,428**	$ 370,873	**$ 443,997**	$ 600,661
Total	**$ 227,428**	$ 370,873	**$ 443,997**	$ 600,661

9. RELATED PARTY TRANSACTIONS

For the three months ended November 30, 2016, the Company paid subcontract/consulting fees of $12,500 (2015: $11,167) to a certain key executive and consulting fees of $32,000 to a certain director. In addition, the Company paid rent of $30,736 (2015: $17,493) to a company controlled by one of the key executives and directors.

$500,000 (2015: $nil) of deferred revenue from a company controlled by the members of the same group of shareholders was earned and recognized as revenue in September 2016.

During the three months ended November 30, 2016, the Company incurred director fees of $14,333 (2015: $nil) regarding the Company's independent directors.

As at November 30, 2016, $1,588 was included in advances to employees which is due from a certain director.

As at November 30, 2016, there was $12,307 (2015: $nil) owing from a company controlled by the members of the same group of shareholders.

10. SUBSEQUENT EVENT

On December 2, 2016, 558,152 warrants which were granted and issued on December 2, 2015 expired.